

Vanunu goes on trial

By MENACHEM SHALEV
Jerusalem Post Reporter

The trial of Mordechai Vanunu, who is accused of revealing Israel's alleged nuclear secrets to the London Sunday Times, got off to a quick start in Jerusalem yesterday as four witnesses for the prosecution took the stand to testify against the former Dimona nuclear technician.

Tat-Nitzav Shimon Savir, head of the police general investigation unit, was the first to testify. He presented the court with the confessions extracted from Vanunu after he arrived in Israel last October. Savir was followed on the witness stand by three Shin Bet operatives who were involved in Vanunu's interrogation. Other Shin Bet operatives are expected to testify today.

Defence attorney Avigdor Feldman and prosecutor Uzi Hasson accepted the court's suggestion to combine the presentation of the State's case against Vanunu with the "mini-trial" hearing which is meant to establish the admissibility of Vanunu's confessions.

Feldman contends that the "circumstances under which Vanunu was brought to Israel" negate the admissibility of the confessions as well as the court's jurisdiction in the case. Thus the confessions presented yesterday were admitted as evidence on condition that the court would eventually reject Feldman's argument.

Vanunu was brought to the court under tight security procedures at 7.20 a.m. He again succeeded in throwing off the helmet which police forced him to wear. "He has become quite adept at removing the helmet without the use of his hands, which were handcuffed," quipped Feldman.

Vanunu has pledged not to reveal any secrets if the police agree to treat him "like any other prisoner." On the basis of this commitment, Feldman has appealed to the security authorities to discontinue the tight security: he expressed the hope yesterday that they would do so "informally." At the same time, he has also appealed to the court to order the police to do so.

Feldman described the State's attitude towards Vanunu as "paranoid." Some 40 local and foreign journalists waited outside the courtroom in the hope that district court judges Eliahu Noam, Zvi Tal and Shalom Brenner would reach a quick decision to open the proceedings to the public. In the absence of such a decision, the reporters spent the morning repeatedly interviewing Vanunu's brother, Asher, Sunday Times journalist Peter Hounam (who has been covering Vanunu since his days in Australia), and each other. Vanunu's family were not allowed to be present in the courtroom.

Feldman, who has asked the court to open parts of the proceedings to the public, said that the court had taken note of the immense interest the trial had aroused in Israel and around the world and that yesterday's decision by the judges to release some details for publication gave him cause for optimism that his request would be granted. The sessions most likely to be open to the public, it is believed, will be those when the defence calls experts from abroad to testify on the general dangers and alleged illegality of nuclear weapons.

The current proceedings, which will be held in camera in any case, are expected to end before next Sunday. Further dates for the trial have yet to be set.

Jerusalem Post Staff

The cabinet yesterday decided to scrap the Lavi warplane project, after seven years and nearly \$1.5b., mostly in U.S. funds, had been devoted to its development.

The ministers cast the die by the narrowest of narrow majorities, 12 votes against 11, with one abstention, following irresistible pressure against certain ministers.

The vote largely represented a confrontation between the Likud (which wanted the Lavi project to continue) and the Alignment (which wanted to halt it).

After the vote, Minister-without-Portfolio Moshe Arens, one of the fathers of the Lavi project, announced his intention to resign rather than accept responsibility for "the tragic decision." The Alignment minister who tipped the scales yesterday, Health Minister Shoshana Arbeli-Almosino, who abstained when all her party colleagues ganged up against her, said she still favoured the project, even though her vote had ensured its cancellation.

The decision sent tremors throughout the political system, giving rise to a wave of accusations and counter-accusations last night. Despite some calls on the right for early elections or the establishment of a Likud-led narrow coalition which would reverse yesterday's decision, observers were united in the view that the decision would have no effect on the immediate future of the national unity government.

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Single vote dooms the Lavi

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Generally, the Labour Party and

the left reacted favourably while the right responded angrily, describing the step in terms of "a national disgrace" and "capitulation to American pressure."

Actual political fallout is expected only in the Likud, with doubts over the immediate political fate of Moshe Arens and the medium-range future of Finance Minister Moshe Nissim.

The U.S. expressed great satisfaction with the cabinet vote.

"We welcome Israel's cabinet decision to terminate the Lavi. We recognize this was a difficult decision, but it is one that we believe will best serve Israel's interest," the Pen-

tagon spokesman, Lt. Commander John Carman, said.

A State Department spokesman commented: "We are very happy with the decision. As we told Israeli Defence Minister Yitzhak Rabin last month during his visit here, the U.S. will be very helpful in getting Israel over this difficult period."

Informed observers believe that the cabinet decision will work in Israel's favour to break a logjam that existed regarding some pending military contracts with the Pentagon.

The staff of Israel Aircraft Industries have reacted furiously to the cancellation. The Treasury and the Defence Ministry will today begin a

frantic effort to minimize the number of dismissals at IAI and at other plants connected with the Lavi project. The Treasury's problem will be how to bridge the short term problem, when an undetermined number of workers could be dismissed, and the more distant difficulties when the defence industries will be working on new projects for the Defence Ministry.

Senior military sources expressed relief at the cabinet decision, arguing that by scrapping the Lavi, the government had accepted the IDF's presentation of its needs for a future war.

Long-term planning in the IDF

had virtually come to a halt as the Lavi issue dragged on and on. Yesterday, immediately following the cabinet's decision, Chief of General Staff Rav-Aluf Dan Shomron, his deputy, Aluf Ehud Barak, the head of the IDF's Planning Branch, Aluf Danny Yatom, and the Air Force's next commander, Aluf Avihu Bin-Nun held a meeting about the immediate implications.

Shomron described the cabinet decision as "difficult and painful for everyone. But given the limits on our ability and our needs this is the least undesirable choice."

While the senior command was happy with the decision it was careful not to appear too elated in public, especially as the issue had become so politicized over the weekend. The IDF clearly did not want to create an impression that it was ranged against the Likud.

Ministers at the heart of the drama

By ASHER WALLFISH

The cabinet decision yesterday to close down the Lavi warplane project, by a vote of 12 to 11, with one abstention, highlighted the role played in the drama by Minister-without-Portfolio Moshe Arens, Health Minister Shoshana Arbeli-Almosino (who abstained) and Tourism and Justice Minister Avraham Shari, who exercised his proxy vote from abroad.

The 12 "nays" included nine from the Alignment, as well as Finance Minister Moshe Nissim (Likud-Liberals), Religious Affairs Minister Ze'evulun Hammer (National Religious Party), and Minister-without-Portfolio Yitzhak Peretz (Shas). The 11 "ayes" included 10 from the Likud as well as Minister-without-Portfolio Yigael Hurvitz (Omert) and Minister-without-Portfolio Yosef Shapira (NRP).

Several ministers told *The Jerusalem Post* that a mood of gloom had prevailed before and during the vote, with both sides grasping the traumatic implications of scrapping such a prestige project, in which so much money and goodwill had been invested.

Prime Minister Shamir opened the meeting by recalling that he had hoped to avoid a decision by a narrow majority. He then asked Defence Minister Rabin and Nissim if they wished to put to the vote their original proposal, which simply called for a halt to the project. They said that the motion tabled by Foreign Minister Peres should be voted on first.

But at this point Peres asked Sha-



The two ministers at the centre of yesterday's cabinet drama, Shoshana Arbeli-Almosino and Moshe Arens, face the press. (Harari, Harari)

Labour, Likud tension rises

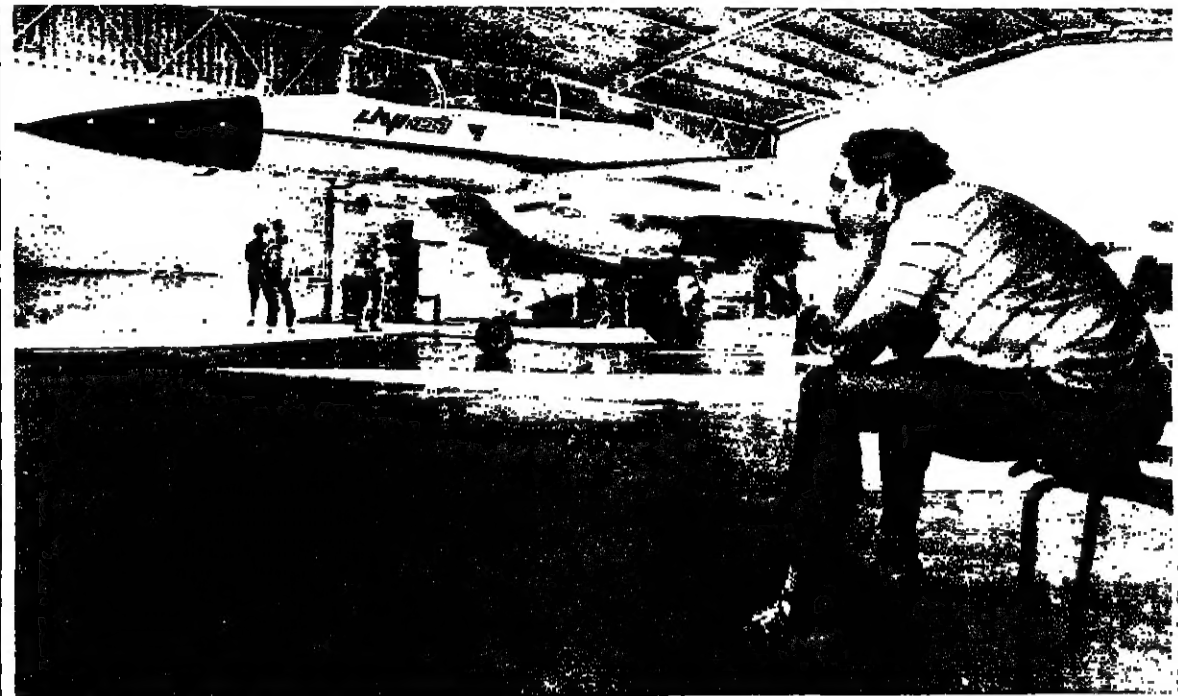
By MENACHEM SHALEV

Post Political Reporter

The decision to scrap the Lavi has further exacerbated the strained relations between the two major coalition partners. Its effects were felt immediately in the Likud, where relations between Herut and the Liberals deteriorated and politicians went scrambling in the wake of Minister-without-Portfolio Moshe Arens's decision to resign. Labour was more reserved, apprehensive about the immediate turbulence within the Israel Aircraft Industries and the anticipated negative reaction of public opinion.

From a political point of view yesterday's decision was taken as a double edged sword for both parties: Labour, led by Foreign Minister Peres, won a victory but may have lost some votes. It gave the Likud an excellent election slogan in "Labour shot down the Lavi". The Likud was thrown into disarray and Prime Minister Shamir's newly-perceived leadership was tarnished.

•The Likud - confidantes of Arens's and sources in the Prime Minister's Office said last night that despite the pressures reportedly exerted on him, they believe that Arens will indeed resign. Talk of possible successors, however, appeared premature as Shamir made clear yesterday that he would not appoint a replacement if Arens resigned. (Continued on Page 7)



A dejected worker contemplates the Lavi in its hangar at Israel Aircraft Industries yesterday.

IAI workers up in arms; plan to fight decision

By JOSHUA BRILLIANT

Post Defence Reporter

BEN-GURION AIRPORT - The Israel Aircraft Industries will tomorrow start folding up one of the country's most ambitious projects - in which it developed a fighter aircraft believed to be on a par with the best in the world.

But workers were planning drastic action in a desperate attempt to force the government to reverse its decision and save the jobs of thousands of top-notch engineers who may now find themselves jobless.

One of the measures considered for today calls for blocking the airport's runways thereby cutting off Israel's air links with the outside world.

Defence Minister Yitzhak Rabin has appointed the Ministry's Director-General, Aluf (res.) David Ivri, to take care of the closure details, and try to minimize their impact. Ivri had been the Chairman of the IAI's Board of Directors and was one of the Lavi's staunchest supporters.

The government will pay the IAI

the entire \$209m. allocated for the Lavi for the current fiscal year. Projects not connected with the Lavi will not be affected and efforts will be made to find alternative jobs for the workers engaged in the Lavi programme.

All the Defence Ministry's efforts are designed to minimize the damage to the project and to its workers, a ministry statement said yesterday.

Thus test flights on the gleaming white Lavi prototype are to continue (Continued on Page 2, Col. 6)

An end to 20 years of euphoria

Yesterday was a historic day for Israel. It brings to a close the 20 years of euphoria that started with the victory in the Six Day War. For the first time, it has been admitted that Israel is not a superpower as some politicians would have had us believe.

The decision to halt the Lavi is in effect an admission that Israel can no longer hold to the course embarked on after France's President Charles de Gaulle imposed an embargo on the shipment of arms to Israel, and especially of fighter planes.

Yesterday's decision was a tacit admission that Israel cannot keep advancing towards higher and higher standards of living, while maintaining the world's highest defence budget. It is also an admission that we cannot produce every kind of weapon - jet fighters, tanks, missile boats and every type of sophisticated elec-

tronic device, the kind of projects which even Europe's richest countries cannot afford unless they do so jointly.

The decision also amounts to an admission that like most of the western world we, too, are subordinate to the hegemonic power of the U.S. It is a realization that we have to obey the Americans' orders just

COMMENT

SHLOMO MAOZ

as do the Japanese, the Germans and the British, not to mention other lesser powers.

It is an admission that, having failed to convince many of the young generation to remain in Israel with its lower standards of living simply by appealing to basic Zionist principles, the Lavi project must be

scrapped so as to make possible a low tax burden on the general public and to aim for real growth of our economy.

This is a climb down towards becoming a more normal nation. It has been done with a lot of pain, but that was the only way to stabilize our economy for the long run and create hope for changes for the better for the next generation in Israel.

The unity government's decision on the Lavi has given it a new record of achievement, since it was unexpected. The Lavi decision may be the last blow to an ego trip and the puncturing of a dream of becoming a mini-empire. But it is a vital beginning, the start of a struggle against vested interests in agriculture, industry and social welfare.

Beyond that the Treasury will have in the near future to re-open (Continued on Page 7)

Ben Johnson sprints to new 100m. record

ROME (Reuters). - Ben Johnson of Canada broke the men's world 100 metres record when he clocked 9.83 seconds at the World Athletics Championships here last night. The previous record of 9.93 was set by American Calvin Smith in Colorado Springs, U.S. on July 3, 1983.

Silke Gladische is the top woman sprinter, winning in 10.83 seconds. There was another world record when Bulgaria's Stefka Kostadinova broke her own high jump record by 1cm., clearing 2.09m. (See Sports p. 5)

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The contributions were used entirely to buy electronic medical equipment, made in Israel, which was donated to the Juarez Hospital and to The National Institute of Cancerology in Mexico City in April, 1987.

Its mission concluded, the Fund expresses its sincere thanks to all the institutions, both public and private, and to all the persons who participated in this noble enterprise.

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CHICAGO	14	17	21	Cloudy
COPENHAGEN	11	13	16	Cloudy
FRANKFURT	13	15	18	Cloudy
GENEVA	13	15	18	Cloudy
HELSINKI	11	13	16	Cloudy
HONGKONG	27	27	31	Cloudy
JERUSALEM	23	23	27	Cloudy
LONDON	11	13	16	Cloudy
MADRID	11	13	16	Cloudy
MONTREAL	11	13	16	Cloudy
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THE WEATHER

	Yesterday's	Today's
Humidity	Min-Max	Min-Max
Jerusalem	44	17-22
Golan	36	17-22
Nahariya	84	22-29
Safed	43	19-29
Haifa Port	60	23-31
Tiberias	39	23-35
Nazareth	44	21-33
Afula	44	21-33
Shomron	43	20-31
Tel Aviv	64	22-31
B-G Airport	46	17-31
Jericho	35	22-38
Gaza	65	22-29
Beer Sheva	36	20-34
Ellat	21	26-39

Four hurt in bomb attack on Arab bus

By JOEL GREENBERG
Jerusalem Post Reporter

Masked assailants threw two petrol bombs into an Arab bus last night south of the West Bank town of Jenin, wounding four passengers.

Military sources said the bus, travelling from Jilna village near Ramallah, was attacked about three kilometers south of Jenin. One bomb exploded inside the bus, the second failed to explode. Passengers who chased the assailants discovered three more petrol bombs at the scene. The assailants escaped.

The wounded were taken to hospital in Jenin.

In downtown Ramallah, an object believed to be a grenade was hurled at an IDF car, but failed to explode. Passengers in the vehicle reported that an unidentified object had been thrown at the car. An IDF patrol that arrived at the scene found an unexploded grenade. The IDF is investigating.

In Gaza, a roadside charge was set off as an Israeli car passed the Saj'iya neighbourhood at the city's entrance. There were no casualties. Security forces searched the area, but no arrests were reported.

During the weekend, the IDF set up a temporary outpost on the main highway south of Gaza at the spot where a petrol bomb was hurled at a security forces vehicle last week. Police sources say more than 20 petrol bombs have been thrown in the Gaza Strip in recent weeks, two during the past weekend.

Soviet Jewry activist killed in car accident

TEL AVIV (Itim).—Alex Kutchevsky, the son of Prisoner of Zion Felix Kutchevsky, was buried here yesterday after being killed in a car accident on the Haifa-Hadera highway over the weekend.

Thirty-year-old Alex, who was a captain in the IDF, had not seen his parents since he left the Soviet Union eight years ago. He was a prominent member of the Public Council for Soviet Jewry.

Prime Minister Shamir sent a cable of condolences to Kutchevsky's wife in Tel Aviv.

New aliya office planned for Rome

Jerusalem Post Reporter

The aliya department of the Jewish Agency will soon open an information centre in Rome in order to persuade Soviet Jews waiting there for visas to the U.S. to change their minds and come to Israel, aliya department chairman Haim Aharon announced yesterday.

There are some 1,500 Soviet Jews now in Rome.

Last month, 744 Jews left the Soviet Union: 201 came to Israel and the rest left for other destinations.

HOME AND FOREIGN NEWS

Teachers to decide if school year to open

By LEA LEVAVI
Jerusalem Post Reporter

TEL AVIV. — The teachers will decide this evening whether school will open tomorrow as scheduled.

At a press conference here yesterday, Yitzhak Wellber, secretary-general of the Histadrut Teachers' Union, detailed two of the demands the teachers had raised in negotiations with the Treasury last week.

One is linkage with the engineers' salaries. Treasury officials told the teachers they would get 1.95 per cent as compensation for increases in engineers' salaries over the last two years, Wellber said, but there was something wrong with that calculation. "The trouble is that direct salaries aren't raised, but engineers, like many other sectors, get car allowances, overtime and other extras which we don't get," he said. He would not say how much of a raise teachers wanted in order to cover erosion of parity with the engineers,

but he said the Treasury's failure to offer an acceptable solution could mean school would not open tomorrow.

Another issue is pay for in-service training. Today teachers get a 9 per cent raise after 1,344 hours of training, which, Wellber said, was not enough. Again, he would not say what amount would be acceptable to the teachers.

"We want to open school on time, and if we emerge from the negotiating session with the feeling that progress is being made, then classes will begin as scheduled," he said.

Wellber said classes would be more crowded than ever this year, equipment would be old and outdated, and more special education children would be in regular classes because of budget cuts. He expressed the fear that this would lead to increased violence and to other negative phenomena such as increased alcohol and drug use.

Arbeli tells prostitutes: We want to help you

By JONATHAN KARP

TEL AVIV. — After keeping it by her side during the cabinet vote on the Lavi fighter, Health Minister Shoshana Arbeli-Almosino last night extended her hand to the prostitutes of Tel Aviv beach as part of her campaign to prevent Aids.

In an unusual visit by a government minister, Arbeli-Almosino met the prostitutes at their well-known locale on the shore north of Tel Aviv and listened as they candidly expressed their concerns and demands.

"I came here to see these girls who are standing here all their lives to serve the people and to earn money," Arbeli-Almosino said after hearing one of the prostitutes explain that she had no relatives in Israel, no security. "They have to live; they have to eat. They don't have families, they don't have people who support them, so they have to support themselves."

"What I came here to tell them," she continued, "is that we want to help them. We want to make blood tests against Aids and to see if they are healthy or not because it is a matter of public health."

Arbeli-Almosino also came to see if they would cooperate with her plan to test every prostitute twice a year for the Aids virus. "No one wants to get sick," said Revital,

one of the prostitutes, apparently vouching for the rest. "I don't think there's a prostitute or a transsexual here who is ready to be afflicted with Aids."

Revital, herself a 25-year-old transsexual, said that all the prostitutes at Tel Aviv carried their own condoms and refused any client who would not wear them. Other prostitutes added that they took care to be tested regularly, as more and more prospective clients asked whether or not they were "clean."

The prostitutes, who invited Arbeli-Almosino, said they were pleased that she finally came to meet them. Many crowded around her, and at one point a disturbance broke out as photographers tried to take pictures of them. Revital swung her purse at one of the photographers and started to hit and kick him before he put his cameras down.

The Health Minister rallied to the prostitutes. "She's right, don't take pictures," she said. "I will make sure that they're not printed."

If Arbeli-Almosino impressed the prostitutes by her professed compassion, she also surprised them with her naivete. She asked the transsexual if she had any children. Revital blushed, then leaned over to the health minister and whispered audibly, "You didn't know that I was once a man."



Mid-summer break on the Tel Aviv beachfront. (Itan Ossendryver)

Radio scientists seek bilateral cooperation

By JUDY SIEGEL
Post Science and Health Reporter

The deputy communications minister of the People's Republic of China, and top radio scientists from the Soviet Union and India, have told *The Jerusalem Post* that they hope there will be more bilateral scientific exchanges between their countries and Israel.

They were interviewed during a reception held last night at Jerusalem Mishkenot Sha'ananim by Communications Minister Gad Ya'acobi in honour of the 22nd triennial conference of the International Scientific Radio Union (URSI).

Some 700 scientists, including 150 Israelis, attended the seven-day conference at the Tel Aviv Hilton. Ya'acobi told *The Jerusalem Post* that the presence of representatives of countries that have no diplomatic relations with Israel, including Czechoslovakia, Poland and Hungary, as well as the USSR, India and China, was a "diplomatic as well as professional achievement."

The URSI, said Ya'acobi, is tops in the field of telecommunications and radio sciences, and many of the members of the URSI council who attended the conference here are advisers to their respective governments.

Feng, of Beijing, who could not give his full name, said that China, like other developing countries, is happy to send scientists to such conferences because "we have a lot to learn. We are just at the beginning of an open policy regarding science." The deputy communications minister added that he would like to see Israeli and Chinese scientists exchange visits.

He was not surprised what he had seen of Israel on this first visit, as he had "read about it and talked to colleagues." He was interested in its advances and in its ancient civilization.

The Soviet representative at the conference, which included 150 lectures, was Mark Zhabotinsky, who quickly got used to queries about his name. Ya'acobi was the only one of the many who noted that Vladimir Jabotinsky, also of Russian origin, was an early activist in the Zionist movement. Zhabotinsky said that he knew of three people with that name (Vladimir no relation), a Russian athlete named Zhabotinsky, and a prominent scientist who is, in fact, his son.

He said the conference was very well-organized and on a high level, and hoped that the Soviet policy of glasnost would result in more scientific exchanges with Israel.

The president of URSI, A.P. Mitra of New Delhi, said: "The conference is held every three years, and last convened in Florence. A secret ballot was held and Israel was selected as the next venue. I thought there would be fewer participants than in Florence, but there were not." Although Egypt sent a representative, Iraq did not. The next meeting will be in Czechoslovakia, and Israelis will attend.

Asked about diplomatic relations between Israel and India, the friendly sounding physicist said that "it was not absolutely necessary for scientific dialogue, as scientists can travel anywhere." As for URSI, "we never let politics interfere with us."



Zvi Malek, 70, who has been missing since Friday morning at 9, when he was last seen at Ashdod's central bus-station on his way to Bat Yam. He is 1.70 metres tall and walks with metal crutches. Anyone who has seen him since Friday is requested to call the nearest police station.

Beit Shemesh Engines

The cabinet yesterday approved by 14 to four, with one abstention, the plan to sell Beit Shemesh Engines to industrialist Steff Wertheimer. Cabinet secretary Eli Rubinstein said later that the decision to scrap the Lavi would not affect Wertheimer's scheme to put Beit Shemesh back onto its feet.

Industry and Trade Minister Ariel Sharon said that Wertheimer had turned out to be the only serious candidate to buy the plant. In any case, Sharon said, despite the arrangement between the government and the banks to cover past deficits, Wertheimer was ready to risk \$5m. of his own money in the hope that he can eventually make Beit Shemesh Engines profitable.

FAMOUS WOMEN. — The Ashdod municipality has decided to name all streets in the new Build-Your-Own-Home project in the southern part of the town after famous women in Jewish history.

Compromise settles shmitta controversy

By ANDY COURT
For The Jerusalem Post

Wheat farmers will get paid in full, flour mill owners will get a discount, and taxpayers will have to pick up the \$3.6 m. tab, according to a compromise agreement that three government ministers approved yesterday to resolve the shmitta year wheat controversy.

The ministers of finance, agriculture, and industry and trade agreed that the country's wheat farmers would receive the price negotiated at the beginning of the harvest, before Industry and Trade Minister Ariel Sharon's decision to import additional wheat despite the year's bountiful harvest. Sharon was accommodating himself to the super-strict religious standards of ultra-Orthodox rabbis who reject the position of the Chief Rabbinate.

At the same time, the ministers agreed that seven flour mills that have consented to buy local wheat will receive a discount price in order to encourage them to buy as much as possible. The discount is 9 per cent, or \$14.5 per ton, on some 110,000 to 130,000 tons that the mills will buy this year and next. The public treasury will thus have

to pay roughly \$1.8 m. this year and a similar amount next year, to pay for the discount to the flour millers, according to Yoram Blizovsky, director-general of the Industry and Trade Ministry.

That calculation does not include any additional handling or storage costs that may result from selling only about half of the 260,000-ton bumper crop this year—and importing an amount equal to the other half that will put into government silos.

According to yesterday's agreement, farmers will be paid at a rate of \$193 per ton, the price negotiated with the Trade Ministry at the beginning of the season. The condition for payment, however, is that the farmers withdraw the appeal that they filed in the High Court of Justice against the Trade Ministry several weeks ago.

Until now, the farmers have been paid only a \$160 per ton advance for the wheat which has long since been harvested and delivered to the government. They fear that the Finance Ministry is holding back the rest of the money in order to make them pay for any losses incurred because of shmitta year marketing problems.

IAI

(Continued from page one)
for the time being. One such flight had been planned for yesterday afternoon but was postponed due to a technical fault.

At a press conference in a bomb shelter here yesterday, IAI Director-General Moshe Keret explained that the closing procedures would start only tomorrow to allow for discussions over each component. "We'll try to see which technologies we can salvage and then we'll make the final decisions," he said.

Keret appeared certain that some 3,000 to 4,000 workers would be dismissed. He explained that there had been no concrete debate on the weapons the IDF wants developed instead of the Lavi and he believed only three or four of them could be handled here. Such projects would not provide any immediate solutions but could just minimize the long term effects, he said.

The head of the IAI's Lavi programme, Ovadia Harari, explained that projects start with a few dozen workers and only two to three years later employ hundreds of people. "It took us seven years to employ 3,500 workers on the Lavi. What are we going to do with all those thousands?" he asked.

The thousands, for the time being, were planning to cause disruptions near all IAI plants from the Golan to Beer Sheva.

Sheffi said these actions are planned for 10 a.m. but other sources talked of much earlier action. The shop committee leaders are to meet this morning shortly after 6.30 a.m. and hand out orders when the workers arrive as usual. This, the source said, would keep their plans secret and deny police

time for preventive measures. Yesterday workers twice blocked the road to Petah Tikva, despite some staff committee appeals not to do so. As some demonstrators made their way onto the highway near the IAI's headquarters, a staff member appealed through a police loudspeaker: "Get off the road. This is just the beginning of our struggle. Obey us."

But the workers, shouting "Peres, son-of-a-bitch" and "Rabin go home", ignored the appeals.

A driver tried to force his way through and knocked a demonstrator down. The others pounced on the car, slammed their fists on its roof. Someone smashed the front windshield. Another, with a well-aimed kick, broke the rear lights. However a staff committee member placed himself between the demonstrators and the driver sped away.

The staff committee finally convinced the workers to disperse and attend the workers' council meeting. But that broke up quickly when members decided to block the road as well. They scattered nails across it, blocking traffic as scores of Egged buses came to drive the workers home. That roadblock was also opened and the shop committee resumed its deliberations.

Asked later whether he believed such action could reverse the cabinet's decision, Sheffi said: "That's apparently the way things go in this country. We thought our demands would be met if we behaved like good kids—but this is life. If we can't get it that way—we will get it by force. What have we got to lose? Sit in jail? Even the biggest optimists talk of the dismissal of 2,000 workers."

On the thirtieth day since the passing of our beloved

PAOLO CASTELNUOVO ז"ל

we will conduct a graveside memorial service on Thursday, September 3, 1987 at 4:30 p.m. at the Old Rehovot Cemetery.

The Family

The World "Joint" Family shares the profound grief of Shaikhe Dan a devoted friend ever since the period of the Second World War, on the loss of his beloved wife

EVA ז"ל

Heinz Eppler President Ralph I. Goldman World General Director

On the first anniversary of the passing of our dear

FINY LEITERSDORF ז"ל

we will pay homage at the graveside at the Kfar Shmaryahu cemetery at 3 p.m. on Wednesday, September 2, 1987.

The Family

We deeply mourn the passing of our darling mother, grandmother and great-grandmother

BECKY LOWENSTEIN ז"ל of South Africa

Hona, Rose, grandchildren and great-grandchildren

In deep sorrow we announce the passing of our beloved mother and grandmother

ILSE HIRSCH

The funeral will be held today, Monday, August 31, 1987 at 3 p.m. at the Herzliya cemetery.

We will meet at the cemetery entrance.

Shiva at the Libreich residence, 1 Manger St. (cor. 41 Shlomo Hamelech), Herzliya Pituah.

Miriam Liebreich Gideon Hirsch and families

We deeply mourn the passing of our very dear friend

MAX J. SPITZ

Our heartfelt sympathy and condolences to the family.

Yehuda and Rina Lebel and Family

Heartfelt sympathy to the family.

MAX SPITZ ז"ל

Kfar Hamaccabia Bowling Club

We are deeply aggrieved at the passing of

MAX SPITZ ז"ל

our former Board Chairman, an outstanding personage and man of many parts.

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Aquino says coup leaders tried to assassinate her and her family

MANILA (AFP) — President Corazon Aquino yesterday said the leaders of Friday's failed coup planned to assassinate her and her family, while Armed Forces Chief Ramos warned there could still be "desperate efforts" by the rebels still at large to launch further attacks.

"The aim of the rebels was clearly to kill the President and her family," Aquino told a small audience of security officials and about a dozen foreign diplomats led by U.S. Ambassador Nicholas Platt.

A paramilitary constabulary spokesman here said that roadblocks were still in place yesterday blocking the northern approach to Manila and that checkpoints had been set up south of the capital.

Speaking on National Heroes' Day at a heavily-guarded cemetery inside suburban Fort Bonifacio, Aquino paid tribute to General Fidel Ramos for crushing the mutiny and to those who died defending her.

Military spokesmen and health officials on Friday had given death tolls totalling at least 55 people in the fighting. But a military spokesman yesterday said that only 21 people had died in Manila and 109 were wounded.

The dead included 13 government troops, six rebel soldiers and two civilians.

The President awarded medals at a hospital near Camp Aguinaldo armed forces headquarters to 63 wounded soldiers. Presidential spokesman Teodoro Benigno said most of the soldiers told the

52-year-old President "that they were doing their duty."

"Security operations are under way for the remaining members of the coup attempt," a paramilitary spokesman said.

Coup leader Gregorio Honasan has not been traced since he fled as government troops gained the upper hand in the battle for the armed forces general headquarters in Camp Aguinaldo Friday.

Some 200 rebels also fled Camp Olivas, a regional military headquarters north of here, early Saturday just 30 minutes before government troops arrived, according to a camp spokesman.

Gen. Ramos called on his men to "rally to the flag and close our ranks." He acknowledged that the military had some legitimate grievances, but said, "We shall not use illegal means as the rebels did to force a decision."

Opposition leader Juan Ponce Enrile broke his silence on the coup attempt yesterday to deny accusations that he had been behind it. But he refused to pass judgement on Col. Honasan, his former right-hand man.

Enrile said the rebel officer, who was his chief of security when he was Defence Minister, "never consulted me" on the plan to take over the government.

Enrile sounded defensive during a call-in forum on DZRH radio as caller after caller intimated he had played a role in the most serious attempt to date to topple the 18-month-old Aquino government.

Explaining his silence, he said, "I did not want to be favouring one side or the other...I wanted to stay in a neutral position."

Enrile was fired as Defence Minister by Aquino in November after he was linked to another Honasan-led coup plot.

One cabinet member who requested anonymity dismissed Enrile's denials of involvement in the latest coup, saying it "Would not have proceeded without his knowledge or his participation."

More than 700 rebels who surrendered or were captured were being held yesterday aboard a naval vessel in Manila Bay awaiting court-martial proceedings.

Eye-witnesses to the fighting disputed official casualty figures and said civilian casualties were much higher than two. Health Secretary Alfredo Benzon said yesterday that 287 people had been admitted to hospital Friday, 23 of whom had since died. It was not immediately clear if the deaths included military personnel.

At the ceremony at Fort Bonifacio army headquarters to mark national heroes' day, Aquino said she and Gen. Ramos had taught the mutineers a "bitter lesson" and warned, "we shall teach them again if they want it."

The President, whose son Benigno was wounded in the attack on her palace, said her presidential guards, "fought with the courage and ferocity of tigers." Her guards were prepared because they had received "intelligence of the coup." She did not elaborate.

Iraqi warplanes again pound Iran

U.S. boosts naval escort for tankers

BAHRAIN (Reuters) — Six U.S. warships with crews at battle stations shepherded Kuwaiti tankers into the Gulf yesterday as Iraqi warplanes hit Iran's offshore oil installations for the second successive day.

The U.S. escort, the strongest display of fire-power since Washington began convoy operations last month, was a clear show of force in the face of possible Iranian retaliation for Iraq's raids, diplomats in the region said.

"I find it difficult to believe Iran will not retaliate somehow," said one Western diplomat. "But this convoy has got double the fire-power of earlier escort runs."

Gulf-based shipping sources said the U.S. warships and two Kuwaiti tankers flying the Stars and Stripes slipped through the narrow strait of Hormuz into the Gulf at dawn.

Three hours earlier, a wave of Iraqi jets struck Iran's Kharg Island oil terminal 800km. further north in the Gulf.

The raid was the second in 24 hours after Baghdad broke a 45-day moratorium on attacks against Iranian offshore oil installations, raising fears that the "tanker war" would flare up again.

In a letter to UN Secretary-General Javier Perez de Cuellar, Iran's Foreign Minister left no doubt that Iran would retaliate "on the cards and hinted it could include raids on Iraq's allies."

"No doubt Iran will not leave these attacks unanswered and Iran's retaliation...may also include facilities which equip Iraq and beef up its war machine," Ali Akbar Velayati said.

The contents of the letter, written

after Saturday's Iraqi attacks, were reported by Iran's national news agency, IRNA.

As the fourth U.S. convoy sailed up the Gulf en route to Kuwait, helicopter gunships threw a protective cordon around the two Kuwaiti tankers, the Surf City and Chesapeake City.

Earlier convoys were guarded by three or at most four U.S. warships, but one diplomat said: "Iraq appears to have started a concerted campaign against Iran's oil exports. That spells danger for the convoy and Washington is taking no chances."

Diplomats regarded Iraq's renewed attacks on Iran's oil lifeline as an inevitable reaction to Tehran's refusal to accept or reject the UN Security Council's demand on July 20 for an immediate ceasefire in the Gulf war.

FOREIGN BRIEFS

Italian gov't rejects prison rebels' demands

ROME (AFP) — The Italian government announced yesterday it had rejected all demands made by rebellious prisoners at Orto Azzurro jail on Elba, which could enable them to escape.

The position was announced in a communique issued at the end of a four-hour meeting here of a so-called "crisis committee," headed by Prime Minister Giovanni Goria.

However, the communique said, the panel said it discussed a "hypothesis" under which the mutineers could be granted "certain benefits" under the penal code, if they released their hostages. There were no immediate further details.

Pakistani oppositionist in Kabul 'peace mission'

ISLAMABAD (AFP) — A Pakistani opposition leader, retired air marshal Asghar Khan, has arrived in Kabul on a self-sponsored peace mission to Afghanistan, Radio Kabul said yesterday.

The former Pakistan air force chief who is also head of the centrist Tehreek-I-Istiqal Party (TIP), was met in Kabul by senior Afghan officials, the radio said in a report monitored here.

Asghar Khan has backed Kabul's calls for direct talks with Pakistan to seek a settlement to the presence of an estimated 115,000 Soviet troops in Afghanistan.

Saudis tighten security following Mecca riots

DAMMAM, Saudi Arabia (Reuters) — Saudi Arabia tightened security in its eastern province, heart of its oil industry and home of most of its Shi'ite Moslem minority, after last month's riots in Mecca, the province's governor said yesterday.

"This area would be the first target," Prince Mohammed Bin Fahd told reporters, citing the oil fields as the main concern. "We are trying our best to protect them."

He said extra security measures were taken after the July 31 violence in Mecca in which hundreds of Moslem pilgrims died, most of them Iranians. He gave no details.



Villagers ferry their cattle to safety yesterday after devastating floods swept Sirajganj district in northern Bangladesh. Officials say the floods, the worst in 40 years, have killed more than 700 people and left millions homeless. (Reuters)

Retrieved ghetto opened to public in Frankfurt

FRANKFURT (Reuters) — Protesters who stormed the remains of a medieval Jewish ghetto to stop bulldozers excavating the site for redevelopment, put the site on public display yesterday.

Sunday afternoon strollers wandered around, peering at foundations of old houses, after some of the hundreds of demonstrators who took over the site over the weekend, saw a hole in the wooden perimeter fence to form a makeshift entrance.

Police stood by but did not intervene as passers-by looked around the site and other protesters painted the fence with slogans and pictures. The city of Frankfurt is building a

new customer service centre for the municipal electricity and gas works on the Boernerplatz site, where a synagogue stood until the Nazis destroyed it in November 1938. City authorities had planned to incorporate some of the ghetto remains into the foyer of the new building and set up a small museum.

Frankfurt's once-flourishing Jewish community, which included the Rothschild family, was virtually wiped out by the Nazis.

But the protesters say further important discoveries, including a ritual bath, have been made since the work started and they want the whole site preserved.

The protesters said they would camp out on the site last night.

Indian police catch top Sikh extremist

NEW DELHI (Reuters) — Indian police said yesterday they had captured the prime suspect in the murder of the general who commanded the army assault on the Sikh Golden Temple in 1984.

Police told reporters that Harjinder Singh, known as Jinda and described by police as Sikh "public enemy number one," was wounded in the leg in an exchange of fire before

his capture in an area of Old Delhi.

Jinda, aged about 30, is suspected of killing just over a year ago Gen. Arun Vaidya, who commanded the 1984 army assault on the Golden Temple of Amritsar, the holiest shrine of the Sikh religion.

Prime Minister Indira Gandhi was assassinated by her Sikh bodyguards later that same year, sparking an anti-Sikh bloodbath.

S. Africa's biggest strike is settled

JOHANNESBURG — South Africa's biggest strike, a massive walkout by black miners, was called off yesterday three weeks after it began, as the National Union of Mineworkers (NUM) agreed to accept a pay settlement it had previously rejected.

The announcement that the strike on the country's major gold and coal mines had been called off came after a three-hour meeting between the NUM and the Chamber of Mines, representing the six major mining houses.

But NUM general secretary Cyril Ramaphosa refused to admit defeat. He said at a press conference here that the union had emerged strengthened by experience in the strike — a "dress rehearsal" for stronger action in 1988.

Jay Naidoo, secretary-general of the giant Congress of South African Trade Unions (Cosatu), of which the NUM is a part, said, "we will use the struggles of this year as a springboard for victory in 1988."

The union accepted the chamber's pay offer, implemented on July 1, for pay increases ranging between 15 and 23.4 per cent. The union's last stand had demanded 27 per cent.

The strike claimed the lives of 10 miners, and left more than 340 injured and a further 300 arrested. It was characterized by claims and counter-claims of violence. The chamber accused the strikers of intimidation to enforce the strike, and the NUM said management had used force to quell it.

Up to 40,000 miners were dismissed during the strike, most of them over the past four days and most on mines owned by Anglo American, which employed about 80 per cent of the strikers. The dismissals clearly shook the NUM.

Anglo-American chief negotiator Bobby Godsell said at a press conference later that the dismissed workers would be re-employed "wherever possible." But he said 6,000 jobs had been lost with the closing of two shafts, and that there would be some rationalizations.

The strike over wages and fringe benefits has developed into the biggest trial of strength between white-led industry and black labour in racially-divided South Africa.

Mauritians begin voting for new parliament

PORT LOUIS (AFP) — Mauritians began voting yesterday to elect a new 70-seat Legislative Assembly among 359 candidates standing either independently or representing one of the 35 registered political parties.

But only candidates from the two chief rival coalitions, the Alliance backing Prime Minister Anerood Jugnauth and the Opposition Union of Prem Nabsangh which is reputedly more to the left, stood real chances.



Actor Lee Marvin, shown in this May 1965 film from the film *Cat Ballou*, for which he won an Oscar for best actor, died of a heart attack in Tucson on Saturday. Marvin, 63, also starred in such films as *The Professionals*, *The Dirty Dozen* and *Hell in the Pacific*. (Reuters)

Madonna in French political row

PARIS (AFP) — Fifty-two people were taken to hospital, including one who was in an intensive-care unit, after an open-air concert by American pop star Madonna in front of 130,000 people at a park near here on Saturday night, Red Cross medical officials said.

Madonna was later at the centre of a domestic political row after French Culture Minister Francois Leotard launched an implicit attack on Prime Minister Jacques Chirac for flirting with the youth vote by being seen with Madonna.

The 130,000 attendance at Sceaux, in the southern suburbs of Paris, was a record for a concert in France, local officials said.

The Red Cross officials said that in all more than 1,000 fans were given some kind of treatment at the site or in hospital.

The mayor of Sceaux only allowed the concert to go ahead after Chirac intervened at the request of his daughter, Claude.

Chirac's wife and daughter attended the concert along with three government ministers and a senior member of Chirac's conservative RPR party.

Chirac held a widely publicised meeting with the American singer on Friday at the Paris City Hall. But Leotard complained yesterday saying that Madonna's visit to France "should not be exploited for other than musical reasons."

Rally commemorates imam

BAALBECK (Reuters) — Green-clad militiamen and big crowds marched yesterday in memory of Imam Musa Sadr, the vanished leader who began the mobilization of Lebanon's Shi'ite Moslems two decades ago.

Tens of thousands of people paraded through Baalbeck, once famed for dance and music festivals in the great Roman temple ruins and now a fortress for Shi'ite radicals and Iranian Revolutionary Guards.

Several thousands unarmed fight-

ers of the Amal militia founded by Sadr took part in the march. It was enlivened by horsemen in national costume and escorted by fire engines, jeep-mounted machineguns and 100 gunmen for security.

Sadr, an Iranian-born cleric who became hugely popular among Lebanese Shi'ites, was last reported seen in August 1978 with two companions during an official visit to Libya.

U.S. may yet avoid disaster in the Gulf

By PATRICK BROGAN
WASHINGTON — Can it be that the U.S. Navy will be able to sail up and down the Gulf escorting tankers for the next few months, without challenge from anyone, and then declare victory and sail home? Since the first tanker on the first convoy hit a mine, there have been no serious incidents at all. Seemingly a couple of blows hardly counts — and the Iranians have steered clear.

It's a delicious prospect for a battered administration, which was seriously concerned that it had got itself into another no-win situation.

The only thing wrong with this moment of hope is that it depends entirely upon the continued good behaviour of the Iranians and Iraqis. And who can seriously expect the followers of the Ayatollah to keep quiet indefinitely?

In fact, the deal is that Iran will lay off the Americans so long as Iraq lays off Iranian shipping. That is, if Iraq doesn't resume shooting up Ira-

nian tankers and oil terminals, Iran will leave the American convoys alone.

That's not a favour they're doing the U.S. If they can export their oil freely, they can afford to keep the war with Iraq going forever and a day, assured that sooner or later their greater numbers and fanaticism will overthrow the Iraqi defences and clear the way to Baghdad.

So the administration's hope for a peaceful autumn depends on the moderation of the Revolutionary Guards, who may or may not do what the Tehran government tells them, and the continued restraint of Iraq. That must be very restrained, because laying off attacks on Iranian shipping means renouncing one of its most effective weapons.

Why is Iraq so moderate? Presumably because of American pressure. The last time the Baghdad high command sent a Mirage on patrol down the Gulf, it shot up the first ship it saw, which happened to be the USS

Stark — 34 American sailors killed. The U.S. has been very firm with Baghdad ever since. Iraq needs American support: it can't rely on the Russians, who have just signed a major trade agreement with Iran, and are clearly hedging their bets. So America can probably keep Iraqi jets attacking ground targets, not naval ones, for the time being.

"The time being" means as long as the stalemate on the ground continues. Iran has not mounted a major offensive since its armies crossed the river and were repulsed in front of Basra. But they are rearming, using their oil money to pay for arms imports from Korea (North and South), China, India and South America — and, clandestinely, from Europe, too. In due course, they will attack again, and then Iraq will be faced with the crucial dilemma. To relieve pressure on the front, its armed forces will propose attacking the Iranian oil terminals on Kharg Island again.

The U.S. will try to keep the oil war true in effect, but the Pentagon is taking no chances. If it doesn't work, the navy will rely on the dissuasive force of an immense fleet. There will be two aircraft carriers, one battleship, one helicopter carrier, and a host of cruisers, destroyers and frigates and all their attendant planes to deter attack.

The Gulf Arabs, Saudis, Kuwaitis and the emirates, have at last bowed to the inevitable and agreed to allow the Americans to use their bases for their planes. F-14s from the carriers outside the Gulf can refuel in

Kuwait. In fact, they can probably be based full time in Kuwait for the duration, so long as their presence is not too formally announced. Saudi Arabia is now equally helpful, though equally discreet.

It was inevitable: Kuwait wants the U.S. to reflag some more of its tankers and to protect all of them and could hardly expect the U.S. to agree if it refused to make its air bases available. The Saudis could hardly expect the U.S. to guarantee their safety if they did not contribute their own air force to the common defence.

Meanwhile, the U.S. Navy has improved its act. One of the oldest techniques of war is tactical surprise. The navy no longer announces what it is doing, allowing Iranian gunboats all the time needed to plant their mines. Instead, it slips the convoys in and out of Kuwait at unpredictable moments, without telling anyone. For once, the Americans are keeping the Iranians guessing, a reversal of the usual order of events.

A sort of fragile equilibrium has been established. The U.S. Navy is there in force, aided by British, French and other friendly navies, but does not flaunt its power, does not antagonize the Iranians. Iran seems to be playing along.

Can it last? Is it possible that we will get through the year without an attack of any sort on an American ship? Put the question baldly and the answer must be that it's improbable. They may be hopeful in Washington, but they should also be realistic.

(London Observer Service)

ANNOUNCEMENT

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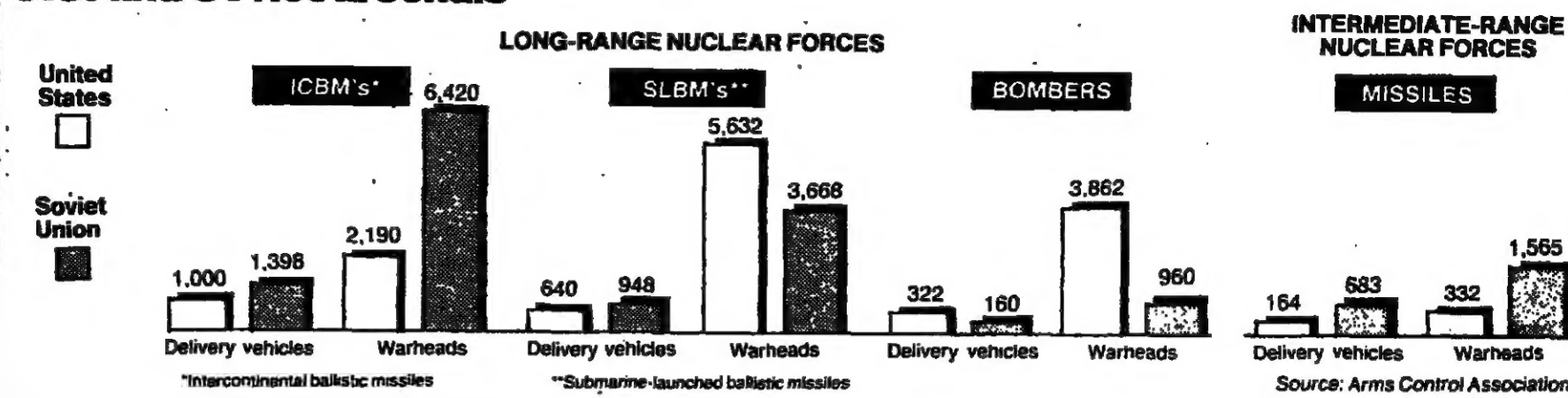
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Edging
Closer

U.S. and Soviet arsenals



Hopes and Fears for a Superpower Treaty

By R. W. APPLE JR.

WASHINGTON
It was a typically languid August, and there was none of the electricity in the damp Washington air that usually marks historic moments, but there seems little doubt that such a juncture was reached last week. Suddenly, it became highly likely that the United States and the Soviet Union will agree before the year is out to destroy, for the first time, significant parts of their immense stockpiles of nuclear weapons.

The superpowers' earlier tentative agreement to eliminate all of their intermediate-range missiles in Europe gained solidity from two new elements: a fresh United States proposal in Geneva on Tuesday, reducing the number of on-site inspections each side could demand, and an announcement on Wednesday by Chancellor Helmut Kohl that West Germany would be willing to dismantle its 72 nuclear-tipped Pershing 1A missiles.

"We can wrap up an agreement on intermediate-range nuclear missiles promptly," said President Reagan in a speech in Los Angeles. And in Moscow, Gennadi I. Gerasimov, the Foreign Ministry spokesman, welcomed both developments, commenting that "the situation has changed for the better."

If neither side sounded euphoric, if there was little rolling of drums and crashing of cymbals in either capital, this reflected deep-seated hostility and suspicion on both sides, plus the knowledge that a treaty and the summit conference at which it would be signed represent only a single step toward what Mr. Reagan called "enduring change in the postwar standoff."

In Europe, moreover, some political and military leaders view the rush toward a treaty with concern; the idea for deployment of the American missiles that are now to be destroyed came, after all, from former Chancellor Helmut Schmidt of West Germany. The fear, shared in part by the former NATO commander, Gen. Bernard W. Rogers, is that Europe will be left with conventional defenses dwarfed by Soviet forces and with uncertainties about American willingness to risk self-destruction by coming to Europe's defense.

The critics contend that while the United States might well use the missiles now based in Europe to counter any Soviet incursion, it would be far more reluctant to fire strategic, or longer-range, nuclear weapons at the Russians on Europe's behalf: an almost certain consequence would be nuclear retaliation by the Soviet Union against major American cities. Reflecting these views, Henry A. Kissinger warned last week that the proposed treaty would ultimately drive a wedge between Europe and the United States.

Conventional Weapons in Europe

But the Western European man in the street, as one European government minister put it recently, "wants a treaty almost as badly as he wants his August holiday." That sentiment clearly made Mr. Kohl uncomfortable about seeming to stand in the way of an agreement between Moscow and Washington, and it will make it easier for Mikhail S. Gorbachev, the Soviet leader, to convince the Western Europeans, as he is trying to do, that the next logical step is equal reductions in conventional weaponry — a procedure, as Washington repeatedly points out, that would institutionalize the present enormous Soviet advantage in tanks and other ground forces.

Some conservatives here insist that a treaty as contemplated is unacceptable without elimination of Soviet conventional superiority, and this argument may form the basis of an attempt to block ratification by the Senate. Mr. Kissinger and Richard M. Nixon, the President he served as Secretary of State, have argued that without a treaty to conventional forces, a treaty leading to the abolition of intermediate-range nuclear weapons "would simply make Europe safe for conventional war." Others insist that verification procedures are inadequate; the Administration responds that elimination of a whole class of weapons makes verification much simpler.

Behind such concerns lie other worries. Any new treaty will do nothing to reduce or limit the superpowers' supplies of strategic, or long-range, missiles, which are the ones they aim at each other, and which the Russians could position so as to hit Western Europe as well. Both sides have far larger arsenals of strategic missiles than of intermediate-range missiles. Progress on an agree-

ment in this area has been stymied by Soviet insistence on linking it to Mr. Reagan's Strategic Defense Initiative, which he considers partly responsible for forcing them to the conference table.

Then there is the longstanding anxiety in some Western circles about the possibility of rapprochement between the two Germanys, which could effectively neutralize Bonn. Some commentators saw a hint of that in suggestions that one reason for Mr. Kohl's announcement was his determination to smooth the way for the long-awaited visit next week of Erich Honecker, the first trip to West Germany by an East German head of state.

Nevertheless, an arms control agreement would fundamentally alter the tenor of relations between the Soviet Union and the United States, easing the sense of confrontation that has predominated during the Reagan Presidency, and perhaps making possible further arms-control measures. It would also bring substantial political benefits to both Mr. Reagan and Mr. Gorbachev. The President, who has built his political career on strenuous anti-Communism, has come to see a missile treaty as a guarantee of his "place in history," to use a favorite White House phrase. More immediately, a treaty and a summit meeting would distract attention from the forthcoming Congressional report on the Iran-contra affair. For Mr. Gorbachev, a treaty would permit the diversion of scarce resources from arms to the stagnant Soviet civilian economy and help persuade Western Europe to open new sources of Western technology and capital.

Moscow is ready for Mr. Gorbachev to visit the United States as soon as possible after the preliminary meeting between Secretary of State George P. Shultz and Foreign Minister Eduard A. Shevardnadze in Washington Sept. 15 to 17, diplomats say. The White House is talking of a meeting in late November.

For all the geopolitical imponderables, many Americans and Europeans share a visceral antipathy to nuclear weapons, which has generated powerful support for the enterprise on which Mr. Reagan and Mr. Gorbachev have embarked. If, as now seems probable, they reach agreement on a treaty, it is hard to see how that can fail to make it easier to tackle far more formidable questions, such as the reduction of long-range strategic missiles and conventional forces, that still lie ahead.

Arms Equations

How Zero-Zero Adds Up

THE formula for the United States-Soviet missile agreement that was suddenly at hand last week is known in Washington as global double zero.

President Reagan first proposed what became known as a zero option in 1981, and Mikhail S. Gorbachev added the second zero this year. Mr. Reagan had asked the Russians to eliminate (that is, reduce to zero) all medium-range (600- to 3,000-mile) missiles — now about 1,565 warheads. The United States said that in exchange it would forgo as yet undeveloped Pershing 2 and ground-launched cruise missiles intended for Western Europe.

At first, Moscow dismissed Mr. Reagan's zero option, and many Europeans demonstrated against Washington's weapons plans. By the time Mr. Gorbachev became the Soviet leader in 1985, the American deployment, scheduled to reach 572 warheads, was well under way.

Early this year, Mr. Gorbachev, setting aside his objections to Mr. Reagan's Strategic Defense Initiative, said he would negotiate a separate accord on these missiles. Then on July 22, he also embraced the Reagan zero option, expanding it by agreeing to eliminate all shorter-range (300- to 600-mile) missiles — the second zero in the so-called double-zero formula.



Rebel troops surrendering after attempted coup in the Philippines.

Coup Crushed in Philippines

In a Two-Crisis Week, Aquino Shows Her Nerve

MANILA
It was a week in which Corason C. Aquino was again placed in her most compelling role, that of an earnest leader struggling against powerful odds.

Members of the Philippine President's inner circle had been warned that "something is going to happen," according to sources close to Mrs. Aquino.

But her advisers were so preoccupied with the left-wing agitation that culminated in a nationwide strike, that they apparently did not consider the possibility of a right-wing coup attempt. Instead of preparing its defenses against a military mutiny like the one that erupted early Friday, the Government was busy making preventive arrests of militant labor leaders.

The confluence last week of the most successful left-wing labor action of Mrs. Aquino's tenure with the most threatening military attempt against her raised the question of whether these forces have grown, perhaps, as some say, in response to the slow pace and lack of decisiveness of her leadership.

The general strike on Wednesday, protesting fuel increases and a resulting spiral in the prices of other goods and services, drew a broad spectrum of the Philippine population together for the first time in opposition to an Aquino policy.

Many of the same people who helped boost her into office 18 months ago with "people power" demonstrations now stayed home from work to protest her handling of some of the hard decisions of government.

Some of the same basic complaints about her style were expressed by the coup leaders, who attacked a half-dozen Government and military installations before being repulsed in a day of sometimes intense fighting in which at least 40 people were killed. Along with specific grievances about the role of the military, the soldiers criticized what they called Mrs. Aquino's lack of forcefulness as a leader.

But the direct threats — which this time extended to the mutineers' wounding her son, Benigno S. Aquino 3d — appeared to bring out the steel in her personality.

Senator Rene Saguisag, a former adviser to Mr. Reagan and still a close ally, said that on Friday, whenever proposals for action were made, Mrs. Aquino consistently rejected any possibility of negotiation or compromise with the men who were threatening her.

As in the past, after hours of silence, she appeared at the height of the crisis, her mouth grimly set, the presidential seal behind her.

Calling for an all-out military assault, Mrs.

Aquino, her voice breaking slightly, said in a televised statement, "I have nothing to say to those traitors."

It was the toughest and most bitter speech she has made since becoming President. Her spokesman, Teodoro Benigno, said she had wanted to be even tougher, but had been restrained by her advisers.

SETH MYDANS

Ethnic minorities test the limits of glasnost

3



Shiite Moslems praying in a mosque in Beirut, Lebanon.

The World

Mideast Goes Back to the Old Ways of Hating

By JOHN KIFNER

THE great 14th-century Arab historian Ibn Khaldun wrote that life is hard in this part of the world, especially in the desert, where people are dominated by the spirit of the clan and held together by *asabiyya* — a sense of mutual affection and, perhaps more important, a willingness to fight other clans, to die for each other.

The same idea was invoked the other day by a

wealthy Shiite Moslem businessman, hardly looking, combat-ready as he sat in his Swedish-modern skyscraper office, with a cellular telephone at hand, wearing a solid gold Rolex watch with diamonds around the dial. Quoting a well-worn Arab proverb, he said: "Myself against my brother, my brother and myself against my cousin, and my cousin, my brother and myself against the foreigner."

Increasingly the politics of the modern Middle East are being played out not in terms of nation-states, or even of ideologies, but in terms of deep tribal, ethnic and religious divisions — in short, in terms of clans.

"It is a primitive, atavistic, return to the call of the clan, the tribe, the sect," said Fouad Ajami, a Lebanese-born historian who is one of the most acute — and saddest — chroniclers of the phenomenon. "The Arab world is in for a season of revenge and killing and carnage."

The Shiite Islamic fundamentalist revolution of Ayatollah Ruhollah Khomeini's Iran is the clearest example, in many ways the avatar, of this kind of politics.

Last week, the fallout of the Iranian revolution included the continued degeneration of Lebanon, where Shiite slum dwellers rioted, protesting poor living conditions, evidence of the collapse of the once-resilient econ-

omy after more than a decade of civil war. There was also the continuing showdown over Persian Gulf shipping, the latest chapter in the seven-year-old war between Iran and Iraq. Every day, Iraq likens the war to the battle of Qadisiya in A.D. 637, when the Arab armies defeated the Persian Sassanid empire. Iranian diatribes feated the Persian Sassanid empire. Iranian diatribes feated the Persian Sassanid empire. Iranian diatribes feated the Persian Sassanid empire.

In recent weeks, "the call of the clan" has been strongest in the mounting vituperation between Iran and Saudi Arabia over clashes between Iranian demonstrators and the police during the annual pilgrimage last month to Islam's holiest site in Mecca, a confrontation in which more than 400 Moslems, most of them Iranian Shiites, were killed.

The vicious war of words waged on last week, a seventh-century religious struggle raged with 20th-century communications and weapons, shattering what had been three years of relative détente. Of the 850 million Moslems in the world, about 90 percent are Sunnis. In Iran, however, 95 percent are Shiites.

In the month since the Mecca rioting, Iran and Saudi Arabia have been bombarding the mixed Moslem population along the Western shore of the gulf — there are important Shiite concentrations in Kuwait, Bahrain and the oil-producing eastern province of Saudi Arabia — with their televised versions of events.

Forthright Declaration

The strict, once fierce Wahabi sect of Sunni Moslems, which includes the royal Saudi family, and the Shiites regard each other as heretics. "Infidels," Ayatollah Khomeini calls the Saudi royal family, which ousted the Hashemite clan in the 1920's from the possession and prestige of the holy sites in Mecca and Medina.

Normally reclusive Saudi Arabia summoned more than a hundred Arab and Western correspondents to Jidda for an unusual press conference by the Interior Minister, Prince Nayef bin Abdel Aziz. If that was not enough, they also called home more than a hundred Saudis from the French Riviera, to stand by their King.

"We hope for the removal of the authorities who send Iranians to their deaths," Prince Nayef said. "Allah has exposed them and turned the matter into a scandal against Iran." He added, "Iranian rulers since their so-called Islamic revolution have shown bad intentions towards Saudi Arabia."

The Saudis tried to rally support at a meeting of Arab League foreign ministers in Tunis last week. But, with Syria balking over its support of Iran, the best the meeting could come up with was a watered-down resolution that said Iran would be asked to agree to a United Nations cease-fire by Sept. 20. Iraq hailed this as a major victory; Syria suggested the Arabs would do better to concentrate on recapturing Jerusalem.

In the period since the United Nations cease-fire resolution was voted on July 20 — part of an American strategy that now has more than 40 American Navy ships in or en route to the Persian Gulf — Iran has stepped up its oil exports, taking in more than \$20 million a day in vitally needed foreign exchange.

Iran, diplomats in the region say, has been noncommittal on the resolution, gaining time to send out more oil, and, some suggest, to tempt the Iraqis to violate the cease-fire. Baghdad's Ambassador in Washington, Nizar Hamdoun, warned: "Iraq can't wait long."

It did not. Yesterday, Iraqi warplanes, breaking a 45-day tacit truce in attacks on gulf shipping, hit an Iranian offshore oil installation and reportedly set a tanker afire — thus raising the prospect of Iranian retaliation.

New Fears of Domination by India

Sri Lanka Struggles to Overcome Centuries of Ethnic Ill Will

By STEVEN R. WEISMAN

AS Sri Lanka struggles to pull itself together after four years of civil war, it is contending with an ancient contest between Sinhalese and Tamil claims of legitimacy, nurtured during thousands of years of racial, religious and ethnic conflict.

Until the guerrilla insurgency by the ethnic Tamil minority in which 6,000 persons people have died, Westerners tended to view this island of 16 million people, formerly called Ceylon, as a tropical paradise, a model of economic progress and democratic stability. But the Tamil-Sinhalese conflict derives from ancient rivalries, which have been gathering force in the last 30 years. Each side sees itself as beleaguered and as defending its culture. The Tamils worry about Sinhalese "colonization" in their areas. And, according to Stanley J. Tambiah, a Harvard anthropologist, the Sinhalese are a "majority with a minority complex," fearful of dominance by the 50 million Tamils in nearby southern India.

In many respects, the conflict here is typical of the bloody ethnic rivalries that plague all of South Asia, often blocking much-needed development as this or that group devotes its energies instead to riots and killing.

The earliest histories of Sri Lanka, written by Buddhist monks, trace the arrival of the Sinhalese from northern India, the area of Buddha himself, 2,500 years ago. From the era when the Indian Emperor Ashoka, a Buddhist convert, sent his son to the island in the third century B.C., the Sinhalese have regarded themselves as protectors of ancient traditions, underscored by claims

of descent from lighter-skinned Aryans who came from Central Asia in prehistoric times.

The Tamils, who trace their origin to darker-skinned Dravidians of south India, say they have been in Sri Lanka at least as long as the Sinhalese.

Many Sri Lankans say racial characteristics remain a factor in the antagonisms, enabling terrorists, for example, to identify their targets in a bus or field. But there are many light-skinned Tamils and dark-skinned Sinhalese. In his book, "Sri Lanka: Ethnic Fratricide and the Dismantling of Democracy," Mr. Tambiah accuses both groups of manipulating history to lend legitimacy to their claims.

In any case, Tamil and Sinhalese kingdoms have risen and fallen in Sri Lanka countless times, and there have been many invasions from India. At times, Sinhalese ruled the entire island. But when the British took control in 1815, they found three kingdoms, including a Tamil state in the north.

British rule marked a turning point. In the late 19th century, they encouraged a Buddhist revival as a means of cementing British control. Missionaries, meanwhile, were establishing schools in Tamil areas, giving the Tamil minority the advantages of superior education.

By Sri Lankan independence in 1948, Tamils dominated the universities and white-collar jobs — just as democracy was giving voice to an increasingly assertive Sinhalese majority. In the 1950's, the elected leaders were overseeing a full-blown Buddhist revival, pushing to make Sinhalese the only official language, and imposing ceilings on job and school opportunities for Tamils.

Tensions rose, and the first rioting between Tamils and Sinhalese erupted in 1956. The most restive group



Tamil women who are members of the Liberation Tigers, Sri Lanka's largest guerrilla group.

was the growing class of educated but unemployed Tamil youths, especially those from lower-caste families of the north who believed the land-owning Tamil families had sold them out, reaching a cozy accommodation with their upper-class Sinhalese counterparts.

The first attacks on the Sinhalese police and upper-class Tamil leaders by young Tamil guerrillas came in the 1970's. In 1983, the murder of a convoy of Sinhalese soldiers touched off two weeks of anti-Tamil rioting in Colombo in which hundreds and perhaps thousands were killed. The Government began sweeping arrests of Tamils in the north, driving the guerrillas to full-scale insurgency that was aggravated by widespread reports of human rights abuses against Tamils. Meanwhile, Sinhalese fears of Indian interference grew as India let the guerrillas use its territory for training and sanctuary.

If the current situation has an origin, however, it may lie in the paradoxical career of Junius R. Jayewardene, a Sinhalese who started out in the 1950's as a protector of Sinhalese rights. After he was elected President in 1977, and as Tamil grievances rose, Mr. Jayewardene alternately proposed to crush the Tamils or negotiate. Along the way, he consolidated his power and, in the view of critics, undercut Sri Lankan democracy. For example, he persuaded voters to approve a referendum putting off parliamentary elections by citing unspecified dangers of subversion.

Buffeted by conflicting pressures, Mr. Jayewardene finally chose political compromise. And many Western diplomats, while deploring his autocratic control, hope he can employ it now to implement the agreement with India — which provides for greater autonomy for Tamils in the north and east, with Indian troops to enforce order in those regions — in the face of the fears and resentment of many Sinhalese. Only as he tries will it become clear whether the curse of Sri Lanka's long history of ethnic tension will come back to unravel what he and others are trying to knit together.

Spying for Soviet Embassy Guard Gets 30 Years

CLAYTON J. LONETREE's lawyers said the former Marine sergeant had only wanted to become a double agent and infiltrate the K.G.B. But last week a jury of eight Marine Corps officers sentenced the former security guard at the Moscow Embassy to 30 years for spying for the Soviet Union.

He had been convicted on 13 counts, including giving Soviet agents photographs of American intelligence agents and turning over plans. Mr. Lonetree, a 25-year-old American Indian, was accused of passing the secrets after beginning an affair with Violetta Seina, a Soviet former employee at the embassy who introduced him to a K.G.B. agent she called Uncle Sasha.

Defense attorneys argued that the trial had been prejudiced. They contended that confessions were improperly obtained and, although later recanted, admitted as evi-

dence. The lawyers said the court barred witnesses who would have testified that much of the classified information the defendant admitted turning over was available from public sources.

The sentence will be automatically appealed to a Navy-Marine Corps review court. His attorneys said they would seek to have it set aside and, if unsuccessful, would press appeals in civilian courts.

In South Africa Black Miners Reject Offer

In the third week of the nationwide strike of black miners in South Africa, both sides seemed to be holding an offer to end the strike, the costliest and most damaging in South African history. It has already severely disrupted production in at least half the country's gold mines and a fifth of its coal pits, and is estimated to be costing the companies between \$10 million and \$15 million a day.

Cyril Ramaphosa, the leader of the National Union of Mineworkers, described the strike as "a just struggle by thousands of miners for a living wage." The average pay of black miners is about \$250 a month, or half that of white miners. The strikers want an increase of 27 percent; the employers have offered 23 percent.

Negotiations were to resume today. On Friday, the largest mining company, the Anglo American Corporation, fired 13,000 miners, bringing to 40,000 the number of miners dismissed since the strike began.

The same day, security officers at a gold mine east of Johannesburg shot and killed two strikers, the mine's owners reported yesterday. Sixteen people were reported wounded. Yesterday, near Cape Town, an explosion severely damaged a building housing offices of the Congress of South African Trade Unions, the main black labor federation, which had earlier threatened to call a nationwide general strike.

Gold mining has been at the center of South Africa's development as a modern industrial country. The country produces more than two-thirds of all the gold mined annually in the non-Communist world, and it is believed to have roughly half of the world's recoverable reserves.

House Report

The Accuracy of the MX Questioned

FOR years, experts have debated where to put the MX, the 10-warhead long-range missile that the Reagan Administration has described as central in its nuclear arsenal. But recently, the debate has shifted to pressing questions about whether the MX can hit its targets.

The House Armed Services Committee asserted in a report last week that test results suggested "serious questions of confidence" about accuracy of the MX; the initials stand for missile experimental. But the Air Force said the committee's conclusions were "erroneous."

The Air Force has 14 operational MX missiles. Ten more have been deployed but are not yet operational because of late deliveries of guidance systems. The Pentagon plans to deploy 50 MX missiles in silos and would like to place 50 more on rail cars. Congress has not approved the rail plan.

The latest criticisms center on a 126-pound device the size of a basketball that is called an inertial measurement unit. An essential part of the missile's guidance system, it determines the missile's position in flight; it includes three gyroscopes and three sensors to measure acceleration. The Congressional report — citing the testimony of company officials, a study by the General Accounting Office and committee staff findings — expressed

substantial doubt about the reliability of the device, which is made by the Northrop Corporation.

In haste to get the MX deployed, the Air Force pressured Northrop to produce guidance systems, the report said, adding that the company bought parts that were not properly inspected, outside of approved channels, and falsely certified test results. Last week, the Government filed a \$1 million civil suit against Northrop, contending that components of the guidance unit had not been properly tested before delivery. Northrop acknowledged that testing had been done improperly but said the company had not delivered defective equipment.

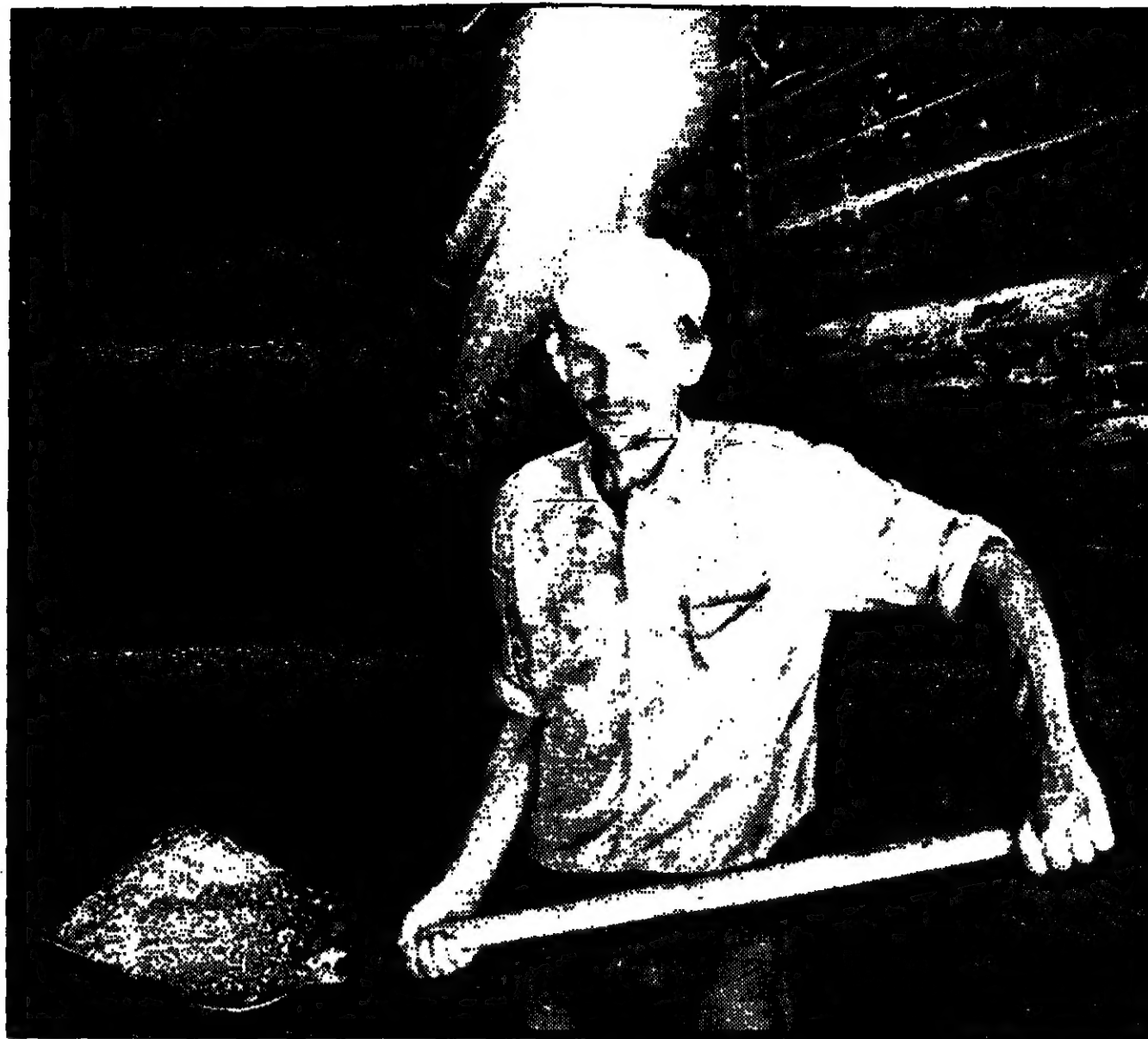
The committee presented Air Force test data suggesting that there is cause for concern but that a definitive judgment cannot yet be reached. It said of 17 test shots, only 5 have involved the version of the guidance system now installed in operational MX missiles. In 3 of the 5, performance was below average, and twice the MX missed the target zone.

The Air Force said it was concerned about the problem but that the guidance systems in the 14 missiles on alert do work. In any event, the Air Force asserted, the least accurate MX was still more accurate than other American missiles.

Definitive conclusions may not be available until next year when the Air Force resumes flight-testing of the missiles.

MICHAEL R. GORDON

From the Lithuanians to the Tatars, Anti-Russian Tone Confronts Moscow



Woodin Camp/Cotton Cotton



Faces of the Soviet Union:
(Clockwise, from left)
An Estonian workman;
farmers in Turkmenistan;
an Uzbek man with his daughter,
and a Lithuanian bride.



Tass-Sovfoto (top), Photo Researchers/Photo Kach

Soviet Ethnic Minorities Take Glasnost Into the Streets

By BILL KELLER

WHEN Mikhail S. Gorbachev called last February for "a revolution of expectations" in the Soviet Union, he probably did not have in mind the crowd that gathered here in Lithuania last Sunday to chant "Freedom! Freedom!" and sing nostalgic songs of pre-Soviet independence.

Small and peaceful, more sentimental than menacing, the gathering was nonetheless an unsettling reminder that calls for "glasnost" and democratization,

and Mr. Gorbachev's anti-Stalinist campaign, are raising some expectations that Soviet authorities cannot easily satisfy. The Lithuanian demonstrators, like other ethnic minority activists in the country, have been emboldened by the more liberal atmosphere to dredge up their resentment of Soviet power.

In June, Latvians streamed through the streets of Riga in a peaceful protest with strong nationalist overtones. In July, the Crimean Tatars, embittered since Stalin deported them from their Crimean homeland in 1944 for alleged collaboration with the Nazis, converged on Moscow by the hundreds for their share of glasnost, chanting slogans near the Kremlin.

Last Sunday, on the anniversary of the secret 1939

Stalin-Hitler protocol that cleared the way for Soviet annexation of the three Baltic states — Lithuania, Latvia and Estonia — more than 500 Lithuanians gathered here to hear speeches honoring "the victims of Stalinism," while even larger gatherings were reported in Latvia and Estonia.

There have been nationalist stirrings in the heavily Moslem Central Asian republics, including an anti-Russian riot last December in Kazakhstan. Soviet officials worry that a reported resurgence of Islam in the Central Asian republics may someday be susceptible to fundamentalist influence from neighboring Iran. In the Ukraine and Byelorussia, demands have increased for more teaching and literature in the local languages. Against these impulses stands a formidable police and security apparatus that seems to be seeking a new place to draw the line between openness and public disorder. The Tatars were allowed to demonstrate, then were put on trains back home.

Latvians Arrested

Sunday's demonstrations in Vilnius and Tallinn, the Estonian capital, were watched and photographed by the K.G.B., but were unimpeded. But in Riga, Latvia, where the police seemed to be less tolerant after a demonstration two months earlier, witnesses said organizers were kept under house arrest; the press reported that 86 protesters were detained.

Ethnic dissenters who demonstrate face not only the police, but also the resentment of the Russian majority, whose sense of being surrounded by alien forces grows with each census report. Soviet demographers say ethnic Russians now make up a little more than half of the population, but will be a minority themselves by the year 2000 because of lopsided birth rates in the Asiatic regions of the country.

A Soviet official sighed heavily the other day during a discussion of the Crimean Tatars. The foreigner must understand, he said, the Russian people endured 300 years of subjugation to the Tatars' forebears, the Mongols, and then spent the recent decades pulling the Asian republics up from primitive standards of living. It is because of this sacrifice, the official insisted, that the Russian Republic lags economically behind the Baltics, the Ukraine, Georgia and other Soviet republics. This white-man's-burden attitude, common among Russians, is a dubious explanation

for the economic stagnation in the Russian heartland; but it helps explain the condescending tone officials and the press sometimes take toward minority complaints. The Baltic republics are an especially ticklish case for the authorities. Anti-Russian sentiment lies close to the surface. An Estonian, accepting a compliment on the European charm of Tallinn not long ago, said, "You should have seen it before the Russians."

The United States considers the Baltic states "captive nations," and recognizes the small diplomatic missions for the three "independent" states, which were taken over in 1940 when Stalin sent in troops and staged rigged elections, ending about two decades of independence for each of the states. Washington underwrites radio broadcasts that help keep dissent alive in the region. But there is little sense here of a serious separatist movement. The prospect of the Soviet Union's dismantling of postwar borders is remote, and many Baltic citizens have no desire to upset a relatively comfortable status quo.

But others in the demonstration here said they had less ambitious goals: an open discussion of how the Baltics came under Soviet rule, honors for the many Baltic residents who were deported to Stalin's camps, more freedom for the Roman Catholic Church, a halt to efforts to "Russify" the culture.

The nationalities question, then, is less a threat to stability than a test of Mr. Gorbachev's political poise and his concept of democracy. To what extent will he allow divisive historical grievances to be aired? What will the Government do to redress them?

The Government has organized a high-level commission to consider whether the Tatars should be allowed to return to the Crimea. The commission includes no Tatars — the Government refuses to identify all the members or to make any of them available for interviews — and it has yet to produce any results. But it is a step farther than previous leaders have gone in dealing with minority demands.

Other nationalities, such as the Georgians and Armenians, have been kept relatively content by being given a little freer rein, especially to run their own economic affairs. Even in the Baltics, a senior Western diplomat said, "they could certainly defuse a lot of the resentment if they allowed much greater cultural autonomy and if they slowed down the process of Russification."



Tass-Sovfoto

In the First Step of Peace Accord, Ortega Has the Upper Hand

Opposition in Nicaragua Springs to Life — and Into Disunity

By STEPHEN KINZER

NICARAGUA'S 11 legal political parties, which range from extreme left to militant conservative, burst into activity last week as a result of the newly signed Central American peace accord. Most of their energy, however, was directed against each other. For the four other Central American countries who signed the agreement and for the United States, one of its most important stipulations is the call for free elections, to be held under international observation. The assumption is that the Sandinistas would lose at least some power in free elections in Nicaragua.

But political parties in Nicaragua have traditionally been unable to unite, and last week the opposition parties were at each others' throats again. The issue was who would represent the opposition on the four-member "National Reconciliation Commission" created by the peace accord. Under terms of the accord, one of the commission members was to be an anti-Sandinista politician chosen by the Government from a list of three provided by opposition parties. The others members were to be a Government official, a Roman Catholic bishop and a prominent private citizen.

Catholic leaders quickly nominated three candidates and from them, as expected, President Daniel Ortega Saavedra selected the country's leading religious figure, Miguel Cardinal Obando y Bravo; he also chose the Government official and the private citizen.

But the opposition parties showed no such discipline, instead arguing for days over which three politicians to nominate. Unable to agree, they split into rival blocs and submitted two separate lists of three. Mr. Ortega said

this put him in "an uncomfortable position," but many Nicaraguans suspected he was not displeased to see that once again, the opposition had showed what a member of the Conservative party called "our traditional lack of political maturity."

Last week's events suggested that even if full political freedom were restored in Nicaragua as required by the peace accord, anti-Sandinista leaders within the country would have difficulty uniting into a formidable opposition front. And if the peace accord provisions are actually put into effect, exiled politicians will be allowed to return and join the election campaign, which could only complicate the mix. Many of them have their own political ambitions, including contra leaders Adolfo Calero Portocarrero, a strong conservative; Alfonso Robelo, a social democrat, and even the flamboyant and eccentric former guerrilla, Edén Pastora Gómez. The prospect of such an atomized opposition is quite encouraging to the Sandinista front, which may be the only political party in the country that has not only a popular base but also a united leadership.

Mr. Ortega's choice as the opposition member of the new National Reconciliation Commission was Mauricio Díaz Dávila, who unlike more militant dissidents, has never urged Sandinista negotiations with the United States-backed contra rebels. His selection drew angry protests from some rival opposition leaders. Mr. Díaz was portrayed as a tool of the Sandinistas who would form a bloc on the commission with the Government member, Vice President Sergio Ramírez Mercado, and the "distinguished citizen," a Baptist missionary sympathetic to the Sandinistas. That would leave Cardinal Obando as the only genuinely anti-Sandinista member of the commission.

In an interview, Mr. Díaz denied that his Popular So-



Mauricio Díaz Dávila of Nicaragua's Popular Christian Party was appointed to the National Reconciliation Commission last week.

cial Christian Party was in any way controlled by the Sandinistas. He said he will propose not only an immediate end to press censorship and a decree limiting the state of emergency to war zones, but also a general amnesty for the 8,000 prisoners accused of political offenses, including more than 2,000 members of the defeated Na-

tion Guard. In a meeting in Los Angeles Friday, contra leaders asked President Reagan to seek Congressional approval for renewed military and "nonlethal" aid, but to hold the military aid in escrow unless the Nicaraguan Government fails to comply with the terms of the peace accord.

At the same time Mr. Ortega announced the makeup of the reconciliation commission, he took a symbolic step toward easing the political tensions that have deeply polarized Nicaragua. He said he would allow the return of two prominent clergymen who had strongly criticized Sandinista rule, as well as an Italian-born priest who was among a number of foreign clerics forced to leave the country in recent years. But he made no mention of two jailed opposition leaders, one the director of a human rights commission and the other president of a lawyers' association, who were arrested two weeks ago during an aborted demonstration and who are reportedly on a hunger strike. The reconciliation commission is assigned only to monitor compliance with the accord inside Nicaragua, and it will be up to an international body to oversee other aspects of the plan. Meanwhile, the Sandinistas can only be encouraged by the latest indication that opposition parties may be more angry at each other than they are at the Government.

The Nation

In Politics, Money Is the Root of Campaigns

By RICHARD L. BERKE

MONEY, or rather the lack of it, is being blamed for drying up several Presidential candidacies this year. But money problems are a result of a sputtering campaign at least as often as they are a cause, political analysts say.

On Wednesday, former Senator Paul Laxalt cited inadequate finances as the reason for his withdrawal from the Republican Presidential race. The Nevada Republican, who had raised nearly \$1 million, said he did not want his campaign to enter "a financial black hole."

Two days earlier, Gov. Richard Celeste of Ohio cited finances in his decision not to seek the Democratic nomination.

And in April, Donald H. Rumsfeld, a former Defense Secretary, took himself out of the Republican race, saying he did not want to face "the specter of a deficit of several million dollars."

The concern is a valid one. Gary Hart, who abandoned his campaign in May, still has \$1.3 million in debts, mostly from his 1984 campaign. Yet there is a "Catch-22" in American politics: Candidates who lack popular support when they enter a race often have difficulty raising funds. But those who lack funds have trouble building popular support.

"If I were running for President and didn't get much support, I would say it was because of money — it would make me look good," said Richard Scammon, an expert on elections. "But it's just too easy to say it's all money."

The morning after Mr. Laxalt's announcement, Senator Sam Nunn of Georgia told his supporters he would not seek the Democratic nomination.

Senator Nunn did not mention finances, only that he wanted to concentrate on family and senatorial responsibilities. Nor was money cited by two other Democrats, Governor Cuomo and Gov. Bill Clinton of Arkansas, who are sitting this race out. Mr. Cuomo and Mr. Nunn, in

Wisconsin Democrat Rules Out 6th Term At 71, Proxmire Calls It a Career



ALMOST everyone who thinks about such things assumed that Senator William Proxmire, the chamber's third most senior member, would seek one final term to cap the 30 years that began when he won a special election to succeed Joseph R. McCarthy. But last week, on the anniversary of his 1957 victory, the Wisconsin Democrat, who is 71, said he would step down in 1988 because he might not be so active through another six years.

That concern is characteristic. During

a career that reflects less the tradition of Wisconsin conservatism than Middle Western frugality, Mr. Proxmire's colleagues learned to respect the fervor of his opposition to excess in spending when in 1970 he successfully defeated a Nixon Administration proposal to finance the development of a supersonic transport aircraft. But his reputation as a maverick persisted. Mr. Proxmire's "Golden Fleece of the Month Award," in which he identified some "ridiculous" or "ironic" Government outlay, became "as much a part of the Senate as quorum calls and filibusters," Senator Robert C. Byrd of West Virginia, the majority leader, noted last week.

Accepting only minuscule contributions for his re-election campaigns, Mr. Proxmire spent a total of \$177.75 in 1982, winning 67 percent of the vote. His decision left likely successors scrambling and the bankers speculating. An opponent of financial service deregulation who has been promoting measures that would limit insider trading and hostile takeovers, Mr. Proxmire is chairman of the Senate Banking Committee.

particular, were widely considered formidable prospects who could have raised money relatively easily.

While one cannot run for President without amassing several million dollars, it is usually a combination of personal and political factors that leads a politician to stay on the sidelines: family concerns, a lack of energy, inadequate political support.

Mr. Laxalt, for one, had been criticized for not campaigning aggressively, and his libel suit against the McClatchy newspaper chain, later settled, was also seen as a hindrance. He had been hovering at the 1 percent point in national polls among Republicans.

That was better than Mr. Rumsfeld, who had virtu-

ally no name recognition, and Mr. Celeste, whose aides insisted that the publication of reports of extramarital affairs had no effect on his decision.

Although money is a useful measure of political strength, particularly in advance of the primary and caucus season, money and early standing in the public opinion polls do not always go together.

In a New York Times/CBS News Poll conducted July 21-22, Jesse Jackson led the Democratic field with 14 percent, but his aides said he has raised only about \$500,000. By contrast, Gov. Michael S. Dukakis of Massachusetts collected \$4.6 million as of June 30, and strategists estimate that he has reached the \$5 million mark by now. He is followed by Senator Joseph R. Biden Jr. of Delaware, with more than \$3 million; Representative Richard A. Gephardt of Missouri, about \$2.5 million; Senator Albert Gore Jr. of Tennessee, more than \$2 million, and former Gov. Bruce Babbitt of Arizona and Senator Paul Simon of Illinois, each over \$1 million.

Representative Patricia Schroeder of Colorado, who initially said she would not run for President unless she could raise \$2 million by September, is a very long way from that goal. Her advisers now say the campaign may go anyway.

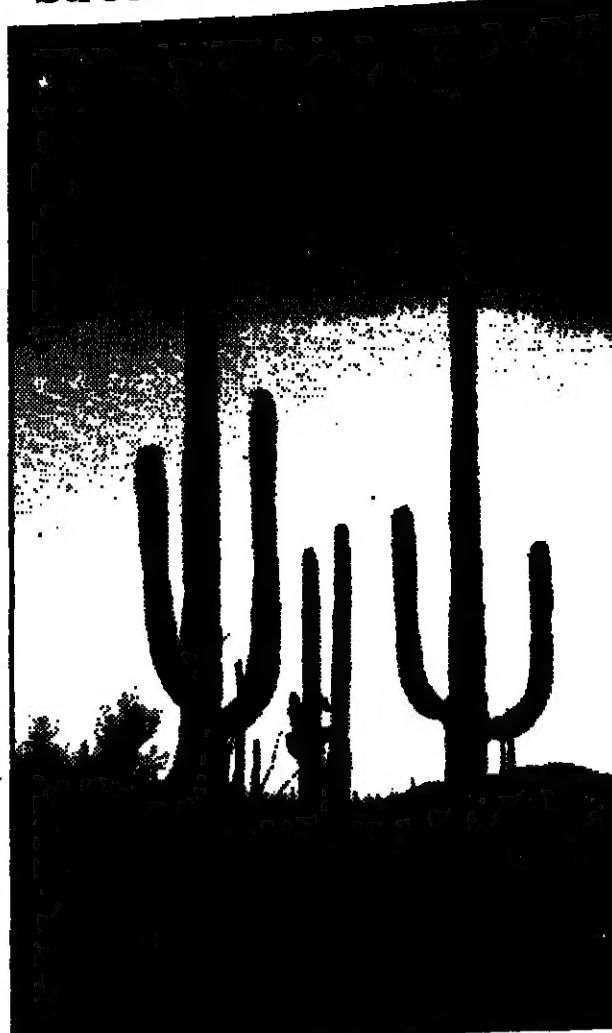
On the Republican side, Vice President Bush has the lead in fi-

nances as well as in the polls: He has collected about \$11 million. The Rev. Pat Robertson, who like Mr. Jackson has not filed a disclosure report, says he has raised \$9.2 million. Bob Dole, the Senate Republican leader, has about \$5.7 million; Representative Jack F. Kemp of Buffalo, less than \$4 million, and Pierre S. du Pont 4th, the former Governor of Delaware, about \$3 million.

Former Secretary of State Alexander M. Haig Jr. is in the same financial league as Mr. Laxalt, having yet to raise \$1 million. But Dan Mariaschin, his spokesman, said Mr. Haig was undaunted.

"Every campaign has their own strategy," he said. "and we feel we've done well with what we have."

Street Value: Up to \$15,000



Saguaro cactuses in the Arizona desert.

For Rustlers, Cactus Is the Big Cash Crop

By ROBERT REINHOLD

THE Case of the Crested Saguaro was a natural for Arizona's cactus cops. When the rare 19-foot cactus disappeared recently, after serving for decades as a living monument in the town of Quartzite, the sleuths at the state's Commission of Agriculture and Horticulture figured that it would most likely be sold in Palm Springs, Calif., or Las Vegas — where the money was. Sure enough, the stolen succulent turned up at a nursery in Las Vegas, with a \$15,000 price tag. With the help of the Federal Fish and Wildlife Service, the poachers were traced, prosecuted, jailed and fined under Federal laws against transporting stolen property across state lines.

While not as lucrative or pernicious as the traffic in drugs — or even that in illicit furs or parrots — the trade in desert plants has created serious problems in the Southwest. The growing international popularity of the starkly beautiful and bizarre desert plants has made poaching and smuggling profitable. "This is an easy resource to exploit," said Michael Elkins of the wildlife service. "They don't run away."

In response, state and Federal agencies have stepped up efforts to protect endangered species. There was even an undercover "sting," so to speak, in which Federal investigators recently cracked a Seattle ring of smugglers who were bringing in rare Mexican plants.

The issue presents a classic double bind for Arizona, Nevada, New Mexico, Texas, Southern California and other areas of arid, fragile habitat and rapid growth. State and local officials are strongly encouraging residents to change to desert landscaping to conserve water and reduce allergy pollens. But this has seriously damaged a unique environment as amateur and professional plant hunters "grub out" free supplies. Particularly popular for ornamental uses are saguaro, the tall multi-armed cactus that is the symbol of Arizona, barrel and hedgehog cactuses, ocotillo, a shrub, and yuccas.

Six Feet in a Century

"Everybody who has a house in the desert wants to have two cacti in their front yard," said John E. Cross, Assistant Regional Director for Enforcement for the Fish and Wildlife Service in Albuquerque. Robert Gronowski, an enforcement official with the horticulture commission here, said the agency set a record last year with more than 200 citations and warnings for the illegal taking of the 227 species protected under the Arizona Native Plant Law, which provides fines up to \$5,000 a plant and up to one year in prison.

The plants may be gathered legally from certain public and private lands, but only by state permit. Increasingly, cactuses are also cultivated by nurseries, but it takes more than 100 years for a saguaro to reach six feet. They bring \$15 a foot retail, plus \$25 to \$50 per arm. According to Traffic (U.S.A.), an arm of the World Wildlife Fund, artificial propagation has begun to cut illegal imports from Mexico. Customs officials also cite stricter enforcement of an international 1976 agreement that requires export permits for almost all species of cactus. A nurseryman from Hidalgo County, Tex., was recently charged with importing thousands of cactuses from Mexico — about two shipments a month for two or three years — using faked permits. The man was convicted, fined \$5,000 and put on probation for five years.

In the Seattle case, a Federal informer responded to fliers offering rare cactuses for sale; the Fish and Wildlife Service prosecuted six people, including a lawyer and a retired schoolteacher, for smuggling cactuses from Mexico — more as a hobby than as a source of income, officials said. The six were fined a total of \$12,000, were put on 14 years of probation, and forfeited two trucks under customs law. The informer got a \$5,000 reward.

Primarily concerned with animals, environmental organizations have only recently begun to give serious attention to endangered plant species, according to F.T. Campbell, director of the plant conservation program at the Natural Resources Defense Council. In a new program to preserve rare plants from the Sonoran Desert, Universidad Autonoma de Tamaulipas, in Ciudad Victoria, Mexico, collects and breeds specimens seized at the border, employing the local residents who had been purveying them to collectors. And the Desert Botanical Garden here in Phoenix recently began a project to analyze the threat to desert plants.

Of particular concern are the extremely rare and slow-growing "living rocks" of the Ariocarpus genus, small cactuses that mimic surrounding rocks. "The little rare ones are what we worry about — they are irreplaceable," said Rodney G. Engard of the Tucson Botanical Gardens. "If you wipe out a population it may take 75 years to come back." The "living rocks," which grow mainly in Mexico, bring hundreds or even thousands of dollars in Japan. "They fit the Japanese perception of beauty," said Linda R. McMahon of the Center for Plant Conservation in Boston. "They are very old and rare and they don't move."

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ABOUT THE ARTS

Greece/Alan Cowell

In the Shadow Of the Acropolis, A Struggle Over Cultural Identity

EMBLEMS OF AN ATHENS summer: On a warm, Sunday evening, in an amphitheater 1,900 years old on the lea of the Acropolis, Vladimir Ashkenazy plays Schubert and Schumann. The brilliance billows through old stonework dusted by dusk sliding towards indigo night, and haunted by other, impenetrable glomings from the past.

A little way and several centuries away, on another night, in a soccer stadium ringed with police and motor-cycles, Joe Cocker offers a strident counterpoint, all sax and electronics and batteries of sound, getting by with a little help from friends who, this time, are young, and enthusiastic and Greek. The dusk is gone, the night is dark, the music harsh, laden with anguish and menace and schmalz.

Somewhere between the two, and seeming certain of neither, lies modern Greece with all its ambiguities and contradictions, recalling a heritage of antiquity long lost yet foisted onto the land by foreign visions, and evoking a present full of the borrowed totems of other foreigners' invention and creation.

The debate is one that has seized outsiders for centuries: What is "Greek-ness," or, what, if any, is the strand that ties the crass sprawl and the ill temper, the noise of modern Athens to older times perceived as a halcyon age of creation, thought and inspiration in the rose-glow of re-invention? The answer, many foreigners, and Greeks, too, say bluntly, is: none.

But that conclusion itself seems to offend a nation aware of a past too grand to be lived up to, born of a history that offers no easy answers, and

chronicled by poets like Nikos Kazantzakis who wrote of "the double-born soul of Greece."

It is a discussion that is fraught with pride too easy to offend and sensitivities that collide in the talking. In the early 19th century, in Lord Byron's time, for instance, some European travelers termed the Greeks barbarians for failing to shelter and stroke the relics of their own antiquity — a rude epithet no Greek of any period would accept, and coined by those seeking to nurture an image of their own creation of Hellenistic virtue.

There is, said Niko Stavroulakis, the Cretan curator of Athens's Jewish Museum and an expert on the history of Byzantium, "ancient Greece and modern Greece and the myth that has been circulating since the 19th century that they have some kind of link."

"There's no link between classical antiquity and modern Greece except that which was provided by the Roman Empire and the Orthodox Church."

"Modern Greece has been done violence to by European romanticism, and made to feel self-conscious about it," he said in an interview. That, possibly, might be part of Kazantzakis's double-soul.

Ancient Greece, after all, was a string of city-states, pagan in its beliefs, prodigious in its architecture and intellectual legacy — one which has inspired European thinkers and poets for centuries. Modern Greece, since its creation in 1830, has evolved as a Western nation-state, built on the rump of an oriental empire, after centuries of Byzantine and Ottoman rule.

That history, said John Zervos, director of the Athens Center, where foreigners learn the Greek language, left a divided legacy that endures in

modern Greece, contradictory, perhaps, but co-existent. There was, he said, "the classical Greek, heroic, straightforward, artistic, innovative. And there was the Byzantine Greek, conniving, underhanded, canny."

Greece, he and others have noted, knew no Renaissance in the manner of Western Europe, because, for almost four centuries until 1830, what is now Greece was a millet of the Ottoman Empire.

"They had known no Renaissance; and the thread of their classical past had long been woven into the oriental web of Byzantium," wrote the author David Holden. "Their recovery of political independence was to most of them far more a matter of restoring that Greek Christian Empire than of rebuilding ancient Hellas."

So what, then, endures, from classical to modern times?

"The architectural lines of ancient Greece are not to be found in the few (fortunately) imitative miniatures in Greece today, nor in the bastard Mediterranean buildings that make of Athens today a monotonous commonplace," said Kimon Friar, who has translated much Greek poetry into English, in the introduction to his anthology, "Modern Greek Verse," published in 1982.

But, unlike some others, Mr. Friar traces some links. "Greek traditions," he wrote, "flow like underground currents through Homeric, classical, Byzantine, medieval and modern times, sometimes murmuring and subdued, sometimes jettisoning to the surface, finding an outlet in folk ballads during the 400 years of the Ottoman occupation, and branching into many fertilizing and irrigating streams after the Greek War of Independence."

And, like many others, Mr. Friar depicts the Orthodox Church as a kind of custodian of language and culture, a descendant perhaps of earlier times when Greek became Christian's first language.

"In some form or another," Mr. Friar writes, "whether as belief, symbol, image or artifice, the Byzantine Church has deeply influenced modern Greek literature and painting."

The tradition traced by Mr. Friar — and disputed by others — is perhaps most evident in the modern Greek poetry he has translated, a statement, almost, of a linguistic continuity of some kind that has survived the abrupt breaks in tradition that came, for instance, with the official banishment of pagan beliefs in A.D.

395, or Justinian's closure of the Athens Schools in A.D. 519.

Inversely, too, there is a kind of bond that links modern, Western thought with the world of ancient Greece through the impact of Greek texts and models on some of those figures who have molded Western cultural and philosophical traditions. "Luther could read Homer in the original," said Emilio Bouratinos, the Greek cultural assistant at the United States Embassy here. "Michelangelo was inspired by Greek sculpture. Galileo was saying the same things as an ancient Greek astronomer. Greece was an inspiration for others — Shakespeare and Racine, for instance."

Yet, he said, "today the best one can see in plays and books is a reflection of Western philosophy, Western theater, Western music. So what is particularly Greek? The bouzouki."

That, he said, produced a schizophrenia. "The Greek today is very keen on appearing Western. He considers the West to be the high point of civilization." So, he continued, "at the moment you are either Western or popular Greek. Between the bouzouki and Mozart, there is no bridge."

At the Athens Festival, held from mid-June to mid-September, the most

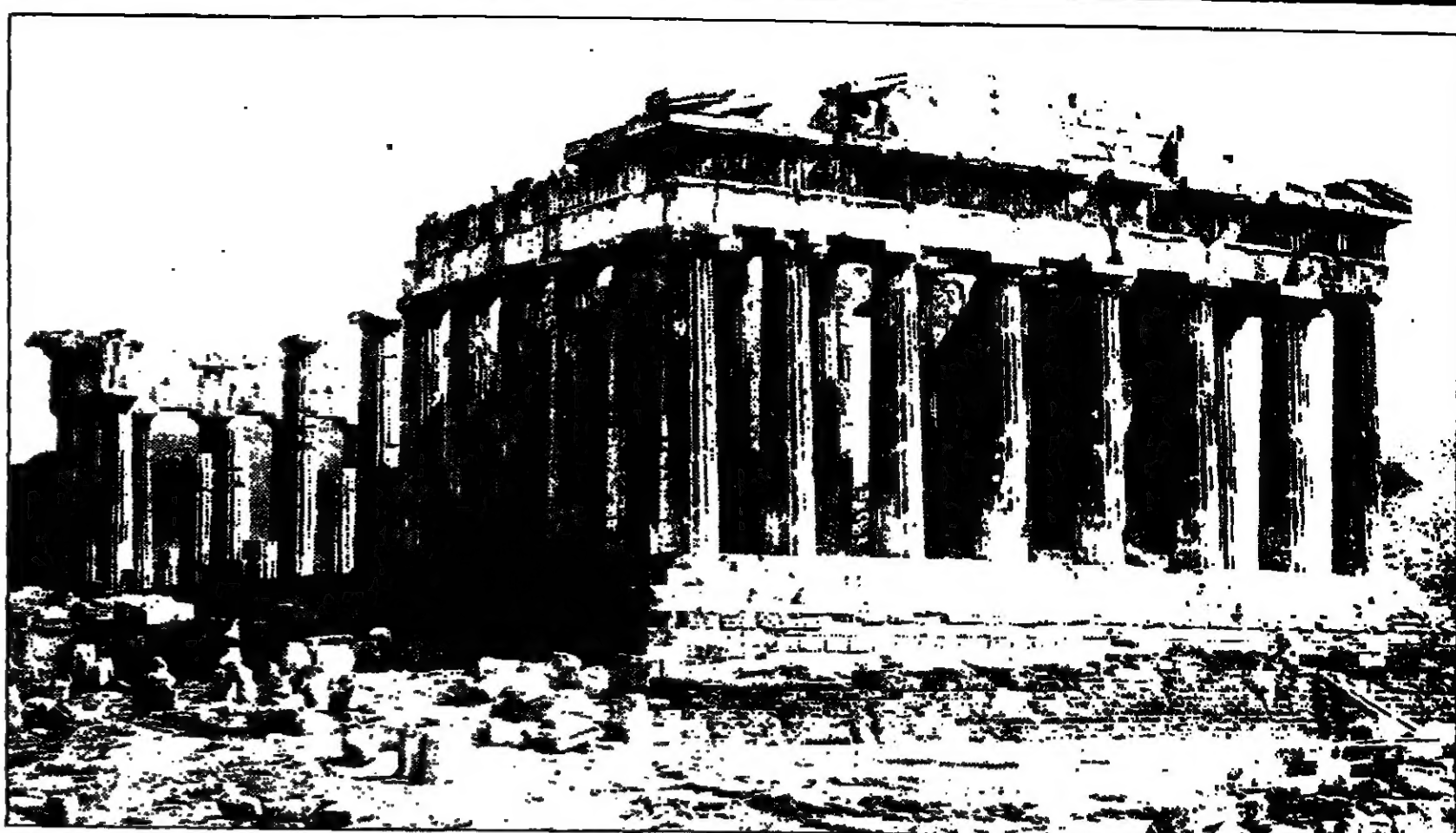
vaunted theatrical productions are those, staged in the ancient theater of Epidauros, of the ancient Greek classics — a rare opportunity, for the outsider, to see those works performed in the environment for which they were written.

"The Greeks," said Mr. Zervos, "are only now beginning to have a relationship with their past." True, he said, some well-known Greek performers, such as Maria Callas, have made their names abroad, but the thrust of the modern nation was to seek inspiration from foreign sources.

"We like foreign things," Mr. Zervos said, "whether it's blue jeans or automobiles. We preserve our monuments because the foreigners are still interested."

Against all this, Joe Cocker's show, and those of other rock bands seemed a part of that hankering for the new and the foreign. Yet Mr. Cocker seemed to feel obliged to make his own obeisance to Greece's past.

Sitting in his \$2,000-a-day hotel suite looking onto the Acropolis, he said, he thought sometimes of Pythagoras and that "made him," he said, "very emotional." And then he laughed and the band played on. □



The Parthenon photographed in 1894—What, if any, is the strand that ties modern Athens to its classical age of creation and thought?

America's Heartland Rock

By JON PARELES

THE MUSIC IS BASIC — three chords and a back beat. The tone is earnest, plain-spoken, just folks. The verses are short stories, terse sketches of characters trying to get by. And the choruses, ready-made for sing-alongs, are about "hard times."

This is heartland rock. From New Jersey to Los Angeles, from Nashville to Austin to Bloomington, Ill., rock songwriters have taken up factories and farms as worthy subjects than penthouses and limousines; they're turning up their noses at synthesizers and cranking up their guitars, aiming for "authenticity" rather than state-of-the-art sound. And as they invoke Woody Guthrie and the Rolling Stones, Walker Evans and Raymond Carver, they face the paradoxes of the late 1980's.

This week, heartland rock heads for the Top 10 with the release of John Mellencamp's "Lonesome Jubilee" (Mercury/Polygram 832465-1Q-1, album, cassette and CD). The album has songs about unemployment, shrinking economic expectations and tough luck, set to three-chord rock laced with mandolin and accordion. One of its stomping choruses declares, "It's hard times for an honest man/very very very hard times."

Under his show-business moniker John Cougar, now dropped (the 1985 album "Scarecrow" and the 1983 "Uh-Huh" were credited to John Cougar Mellencamp), Mr. Mellencamp had a healthy career with songs about cutting loose. But as he's gotten older, Mr. Mellencamp's self-chosen persona — the small-town rowdy from the Midwest — has apparently led him to think about what's happening to the towns and farming communities around him. With "Scarecrow," he shifted direction; its centerpiece was a song about a farm foreclosure, and the old Cougar cockiness was gone.

The way Mr. Mellencamp's albums have changed (one suggests that, like many other 1980's rockers, he's kept an ear on Bruce Springsteen. Mr. Springsteen got the heartland-rock bandwagon rolling with "The River," in 1980, and its bleak 1982 successor, "Nebraska." With those albums, he started to write stripped-down songs about people who had lost their jobs or simply lost hope — victims of hard times.

Mr. Springsteen established heartland rock's main topics — unemployment, small-town decline, disillusion-

ment, limited opportunity, bitter nostalgia. And with the overwhelming success of his 1984 album "Born in the U.S.A.," which sold 11.5 million copies in the United States alone, the style became a full-fledged movement, one that Mr. Mellencamp joined in 1985 with "Scarecrow." Since then, Mr. Mellencamp's lean, guitar-driven band has become as much a model for heartland rock as Mr. Springsteen's E Street Band, with its rich, keyboard-centered arrangements and sometimes ponderous tempos. A new Springsteen album, "Tunnel of Love," is due this fall, and it will show whether he can stay ahead of his own groundswell.

Of course, hard-times songs are a staple of blues and country, and the surge of heartland rock is connected with the latest revivals of down-home American music. Rock recycles itself constantly, and every burst of pop escapism or technological wizardry brings a back-to-roots reaction. Current rockers are once again listening to Hank Williams and Elmore James, to Merle Haggard (who's always stuck to a working-class perspective) and Muddy Waters.

Old-style rock also pays off. Commercial rock radio stations have become increasingly conservative; they're looking for songs that won't sound out of place next to early-1970's "classic rock" from the Rolling Stones or Lynyrd Skynyrd, so there's a powerful incentive for bands to take up three-chord blues-rock. After years on the blues circuit, such performers as Robert Cray, Mason Ruffner and the Fabulous Thunderbirds have recently garnered a national audience, precisely because they sound a little old-fashioned. But heartland rock isn't exactly revivalist. In a surprisingly short time, it has turned into a circumscribed style for both music and lyrics.

The music refers to blues, rhythm-and-blues, country and rockabilly, but stands apart from them. Heartland rock isn't traditional, it's neo-traditional, self-conscious about seeking roots; it's not a local, homegrown style but one that wishes it were.

The basic heartland-rock sound is national, or perhaps all-American. Mr. Mellencamp in Bloomington, Steve Earle in Nashville and such groups as the Beat Farmers in Los Angeles all share a basic stomp that connotes good old roadhouse rock. While there's nothing to prevent hard-times songs from being sung over synthesizers or doo-wop harmony, it just isn't done; heartland rockers want a sound that signals back-country America.

And the lyrics are usually as even-

handed as a politician's stump speech — they convey sincere concern while trying not to offend anybody. Mr. Mellencamp's "We Are the People," a song on his new album, manages to jump within one verse from "If you are one of the homeless/ May our thoughts be with you" to "If you are one of the fortunate ones/ We all know it's lonely up there." In heartland rock, the personal is apolitical. Songs tell their stories matter-of-factly; they're more like case histories, or journalism, than protest songs.

Woody Guthrie, whose "This Land Is Your Land" was included on Mr. Springsteen's "Live/1975-85," drew political lessons from his observations, but heartland rock songs rarely point fingers or suggest action. Factory closings and farm foreclosures are treated with fatalism, like natural disasters; although the stories in the songs often reflect large-scale economic changes, most lyrics are about battles for individual dignity rather than for economic realignment. They are songs about powerlessness and bewilderment in an America that's supposed to be the land of opportunity. "Seeds," the newest Springsteen song on "Live 1975/85," is narrated by a man who took his family to Houston when he heard about the oil boom, and arrived to find it "gone gone gone." The narrator concludes, "If you're gonna leave your town where the north wind blow/ Well you better think twice on it."

Where early rock-and-roll responded to rising affluence, heartland rock reflects the shock of lowered expectations. As the abandoned wife in Mr. Mellencamp's "Down and Out in Paradise" puts it, "I never ever thought that this could happen to me."

Other songs on "The Lonesome Jubilee" carry similar tidings. In "Empty Hands" a couple in a mill town find it harder and harder to make ends meet. The verses to "Down and Out in Paradise" are three "Dear Mr. President" letters, from the abandoned wife, from an unemployed factory worker and from a fourth-grader worried about nuclear war; the chorus says, "Looks like the milk and honey done run out on me."

Like the characters they write about, heartland rockers don't come up with solutions; they seem trapped, overwhelmed by crises. But they can see the problems clearly. "Too many people standin' in line," Mr. Mellencamp sings in "Empty Hands," "Too many people with nothin' planned/ There's too many people with empty hands." In the best heartland rock, hard times generate anthems. □

Spinoffs

BY BERNICE GORDON/Puzzles Edited by Eugene T. Maleska

ACROSS													DOWN																																																																																																																																																																																																																																																																												
1	Conical masses of sugar	7	Driving force	12	An inflorescence	16	Capital of Ghana	21	Lead astray	22	Valentino's film realm	23	Bumpkin	24	More uncommon	25	Tool for a P.I.	28	Costa	29	Group in the Philippines	30	Hayes or Harding	31	Busy place	32	Drowse	34	Toward the mouth	35	Richardson opus: 1740	37	Shoshonean	38	Spots on TV	41	Light machine gun	42	Subjects of Assyria	43	Some testin' players	46	Where to place stupa	50	India's Mutiny: 1857	51	Shelters for Devons	52	Neckpiece	53	Sound of an artist	57	Chanel	58	Maison	59	Followers	60	Cries of the bacchanals	61	Motorists' havens	61	Full of substance	63	Day, in Hawaii	64	Type on the typewriter	65	Losses hair	67	A shade of red	68	Dice for a hand	72	Strongly built	73	I'm a dreamer	74	Sphere	75	He recorded "Mack the Knife"	76	Like pearls on a necklace	78	Prop for an Oscar winner	84	Surveying method	85	Galsworthy novel	86	Escape	87	Law, to Pliny: Var.	89	Famed photographer	90	Sutherland offering	91	Town ESE of Salerno	92	Kitchen appliance	94	T-man	95	Drink for a writer?	99	Debussy's "Air de..."	100	"Tippecanoe" author: 1916	102	Above	103	Italy's Lago d'	104	Diamondback	106	Rumanian name for a city on the Dnepr	107	Part of a shoe	108	Fasten with flaps	110	Room for Scheherazade	111	Impede	113	Cinco follower	114	Throwback	118	Becomes ripe	119	Did some mending	121	"Bel..."	124	Some Surrealist paintings	125	Tufts of ice for a poet?	129	acids	130	French possessive	131	Heroine of Poe's "The Sleeper"	132	Item in a first-aid kit	133	Stoop	134	Tree of Trinidad	135	Intimidated	136	Hospice in Turkey	41	Seeks baskin'	42	Free-for-all	44	Makes a boo-boo	45	Wear down	46	Certain lines on maps	47	Sylvan deity	49	Otto's realm: Abbr.	50	Arboreal mammal	51	What gentleman prefer?	54	Fit	55	Force out	56	Irritate	57	Copperfield's field	58	Goat antelope	59	Sport sacs	61	Girl in "Silas Marner"	64	Contralto Nikolaidi	65	almond (ice-cream flavor)	66	Swedish musical group	67	Robert, of stage and screen	69	Gains by a fullback	70	Spread a rumor	71	Apex of Mt. Saint Helens	72	Villain in an oster	75	Gave out	76	Prop for George Burns	77	Dental problem	78	Part of a place setting	79	Name of five kings of Norway	80	Revised by a revivalist	81	City in Portugal	82	Forty	83	Sue or Onegin	84	Verb used in the Bible	85	Author Thomas and family	88	Goat antelope	89	Sport sacs	91	Girl in "Silas Marner"	92	Invitation initials	93	Fortas or Burrows	96	Radioactive nucleus	97	Living in a world of fantasy	98	Builder of two temples at Abu Simbel	100	Dorothea Payne's sec-	101	Nos. men	105	Nomadic	106	Greek goddess of health	107	Skilled, with "in"	108	"... We Got Fun?"	112	Small drum	113	A river at Lyon	114	Coarse fiber	115	Lacking excitement	116	Et follower	117	Cable car	119	A Barrymore	120	Racecourse: Comb. form	121	Eastern potentate	122	Writing-on-the-wall word	123	"... it down": Hamlet	126	Indian of Okla.	127	To's partner	128	Mount in Crete

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Missiles of October, Then and Now

The Cuban missile crisis has become the textbook case of how to win and lose in the nuclear age. According to the lore, President Kennedy went eyeball-to-eyeball with Nikita Khrushchev, and the Soviet leader blinked and removed his missiles from Cuba. Twenty-five years later, the story of the crisis is not so simple and it teaches more than toughness.

The more that becomes known, the clearer it becomes that the United States was operating with enormous strategic superiority. All the Kennedy talk about Moscow opening up a "missile gap" was nonsense. Increasingly, it seems that the last thing the two leaders desired was direct confrontation. President Kennedy was prepared to go much further in the search for compromises than he and his aides ever let on in 1962.

New evidence of that is reported in today's New York Times Magazine. President Kennedy ordered Secretary of State Dean Rusk to lay the ground for a previously unknown concession to Moscow. The President enjoined him to tell only one person, who, on further instructions, was to transmit the concession to U Thant, the Secretary General of the United Nations.

Mr. Rusk kept the secret until last March when policymakers in the 13-day crisis met to remember. The concession, never actually proffered, was this: U Thant was to propose that America remove its missiles from Turkey in return for the withdrawal of Soviet missiles from Cuba. The United States would agree.

Till that point in the crisis, in return for the Soviet missile withdrawal, President Kennedy had pledged only not to invade Cuba. He had also authorized Robert Kennedy, the Attorney General, to tell the Soviet ambassador of the intention to take the American Jupiter missiles out of Turkey.

The President's brother was to stress that this was not a trade because Washington planned to re-

move the Jupiters in any event. He was also to impress on the Soviet envoy that if Moscow so much hinted at a deal, all bets were off. President Kennedy's judgment, shared by his advisers, was that even the suggestion of a trade would reward secret Soviet transgressions in Cuba, would undermine the Atlantic alliance and would make John F. Kennedy look exceedingly weak.

The Rusk revelation showed that the President was willing to accept an explicit trade, even though that would cost him dearly politically. President Kennedy was struggling to find a way to end a crisis in which he found the chances of nuclear war to be "between one out of three and even," as recorded by Theodore Sorensen, his speech writer.

Moscow clearly bears the overwhelming burden of guilt for the crisis. Soviet leaders deployed the missiles in Cuba secretly and lied about it. But John Kennedy was not without blame. He had campaigned charging that President Eisenhower had allowed Moscow to gain superiority in nuclear arms — the famous "missile gap."

The charge was untrue. At the time of the missile crisis, the United States had 2,000 long-range missiles, the Soviet Union less than 100. But the charge generated political hysteria that did not stop with the 1960 election. It came back to haunt John Kennedy.

The actual gap, in America's favor, was also recalled by the men who gathered to reconstruct those 13 days of October, days deeply etched into gold Tiffany calendars that President Kennedy later gave each of them. With exceptions, the group chose to remember that President Kennedy was prepared, as McGeorge Bundy put it, "to go the extra mile to avoid a conflict, and to absorb whatever political costs." Perhaps so. Yet the story they told 25 years ago was much more frightening.

More Phones, More Fairness

Cheers are in order for New York's Public Service Commission, which has just cut the price of no-frills phone service for welfare recipients. The initiative shows the commission's determination to make service affordable for 300,000 poor New Yorkers now without a phone.

There's another, equally important benefit to the new step. The new "lifeline" rates should give the regulators greater leeway to restructure rates for other users. The prices of specific phone services must be closely matched to costs — or else much of the gain from rapidly improving communications technology could be lost.

Under the old rates, it cost at least \$54 to hook up a home phone plus another \$4 a month for the dial tone. The new minimum hookup charge for the 1.2 million New Yorkers on welfare is just \$24, payable in \$2 installments. Monthly billing for service is a token \$1, plus charges for individual calls. The reduction won't permit poor people to use phones casually. But it does mean an extremely low-cost link to emergency medical, fire and police services. By allowing free incoming calls, it should reduce the isolation felt by the elderly and bedridden.

The idea of lifeline service appeals to almost everyone. Some 93 percent of New Yorkers have phones; it seems cruel to deny this near-necessity to the rest. And public generosity may pay handsome dividends to other phone users — by disarming the opposition to other much-needed reforms in phone pricing.

While total revenues going to the phone companies cover total costs, the prices set by the regulators for specific services rarely equal specific costs. Businesses are overcharged to pay for residential

phones; urbanites pay extra to hold down rural rates; long distance users subsidize local callers; high-volume users subsidize occasional users. These "cross-subsidies" play well politically, but have become particularly costly in an era of rapid technical change.

When monthly connection charges cover only a small fraction of the actual cost, phone companies must overcharge for individual calls. A long distance connection on fiber-optic cable that costs, say, a nickel a minute to maintain, may be billed for five times that much, thus discouraging use of this wonderful, inexpensive technology.

The price of computer-based features like call-forwarding and call-waiting ought to be within almost everyone's reach; instead, they are billed as luxuries, with the surplus revenues thrown into the pool to cover the cost of deficit services.

Excessive charges for high-volume business lines subsidize other service. Unfortunately, they also encourage businesses to bypass the regulated phone system altogether by setting up their own internal systems, leaving fewer customers to share the fixed costs of maintaining the system.

Sophisticated regulators understand the benefits of cost-based rates. That's why the Federal Communications Commission has required the phone companies to raise fixed monthly charges and to lower long distance by an equivalent amount. That's also why Federal and state regulators are giving the phone companies greater latitude in fine-tuning their rate structures.

New York's new lifeline rates are welcome because they will make life easier for poor people. They are even more welcome because they will make life fairer for everyone else.

The Editorial Notebook

The Vacation Plague

Six friends gathered recently in a house on the tip of the Atlantic. Waves slapped the shore; dune grass swayed in the breeze; a white-tailed doe and her two fawns nibbled the beach plums. Rarely had nature seemed more benign. But the people inside were less than enchanted. Five of the six were trying to outdo one another in describing symptoms of Lyme disease.

Lyme disease? This debilitating illness, named for the Connecticut town where it was first discovered, is carried by deer ticks and once seemed rare. But in the last decade it has afflicted more than 5,000 people nationwide. Efforts have failed to eradicate the ticks creeping over Connecticut, northern Westchester and the Long Island shore.

Lyme disease ambushes residents and vacationers in meadows, woodlands and on the dunes. Indeed, of the six people in the room only Lucy was not a victim.

To fight the disease, Billy is taking amoxicillin as well as a kidney blocker to forestall excretion of the antibiotic. Though jaundiced, he now seems on the mend. Bert and Herb were lucky. Their Lyme disease displayed classic early symptoms: a perfect bull's eye rash, a blood-red circle with an aureole slightly less sinister; fever, chills, fatigue and respiratory impairment. They had been treated at the onset and had recovered relatively quickly.

Elizabeth wasn't so fortunate. A year ago, she had a fever and rash but decided it wasn't Lyme disease. She likes diagnosing herself, and everyone else. Three months later her left foot and right leg functioned only fitfully. She thought an abscess had developed in her jaw yet the dentist declared her teeth to be sound. A specialist in Lyme disease advised her to check into a hospital for 10 days of

Deer Ticks Give Lyme, And Summer, a Bad Name

high-impact, round-the-clock intravenous penicillin — a treatment similar to that for spinal meningitis. She is 85 percent recovered but arthritic pain may persist for a couple of years.

What causes Lyme disease? Borrelia burgdorferi is a nasty little spirochete carried by deer ticks. The tick itself, no larger than a pinhead, feeds on deer (which are immune) and transmits the bacteria to dogs, horses and humans who have no immunity.

"I'm going to get my gun and shoot that doe and her brats," growled Billy.

"Calm down, Billy. You can't shoot all the deer, let alone the white-footed field mice and voles," someone else counseled. All these furred creatures carry Borrelia burgdorferi.

But where the Borrelia burgdorferi came from no one is sure. Thus Deborah was a pioneer. She caught Lyme fever eight years ago, only four years after the disease was first reported. Her doctors were baffled. They tried treatment after treatment. She developed paralysis of facial muscles that was diagnosed as Bell's palsy and was finally hospitalized with myocarditis. Once the disease was diagnosed, she was treated successfully. She says she is now fit as a fiddle.

Like AIDS and Legionnaires' disease, Lyme disease seems to have come recently from nowhere. Does it reflect a mutation of microbes? A change in human immunity? Some subtle shift in the environment? Good questions. And so is the one the beach house friends were asking each other: What did we do to deserve this?

Letters

Up the Gulf Without a Paddle of International Law

To the Editor:

The explanation of the legal basis for reflagging and then protecting Kuwaiti tankers as United States ships given by Abraham Sofaer, the State Department's legal adviser (letter, Aug. 16), illustrates the confusions in our Government's Persian Gulf policy more than its legality.

Mr. Sofaer's primary rationale for our policy under international law rests on "self-defense," which, he argues, begins to apply "if the circumstances indicate that an armed attack is imminent." But it has been the position of the Administration that sending American armed forces (including Navy ships) into the Persian Gulf does not introduce them into a situation "where imminent involvement in hostilities is clearly indicated by the circumstances." If it did, reporting to Congress and a time limit to their deployment would be required by the War Powers Resolution of 1973.

Is it the position of the Administration now that hostilities are imminent for the purpose of firing on Iranian aircraft, but not for purposes of telling Congress about the deployment of public force, treasure and honor? Or that the territories of the United Arab Emirates and other states in the Persian Gulf into whose airspace or waters American forces have been introduced are not "foreign nations" within the sense of the resolution, also triggering its reporting and time-limit terms?

Let there be misunderstanding, my published position since 1973 has been that the War Powers Resolution is inconsistent with the fundamental distribution of authority contained in our Constitution. But the problems I see could be easily solved if Congress shifted the basis for its oversight from the irrelevant "war declaring" power to the obvious appropriations power, if

Congress really wished to control Presidential adventures.

To claim that the resolution is satisfied by construing its language to mean things other than what it says, and to ignore the intention of Congress when it adopted the resolution, persuades very few and demeans the learned profession on which true statesmen rely in their search for international peace and security, and for national prosperity and respect.

I abstain from a more detailed analysis except to point out that the legal adviser's rationale for upholding the legality of reflagging seems to rest on construing the "genuine link" requirement of the 1958 Geneva Convention on the High Seas to be satisfied by the application to the ships of American statutes, including some that permit waivers of normal American legal requirements.

But the convention defines "genuine link" for its purposes to require that the flag state "effectively exercise its jurisdiction and control in administrative, technical and social matters." Compliance with this complex phrase is determined by international law, not American law. And whether our "administrative" and "social" jurisdiction will be exercised, as well as the technical controls cited by the legal adviser, remains to be seen.

ALFRED P. RUBIN
Medford, Mass., Aug. 17, 1987
The writer is professor of international law at Tufts University's Fletcher School of Law and Diplomacy.

Limits of Self-Defense

To the Editor:

Judge Sofaer's Aug. 16 letter mentions that "a state is not bound to delay its self-defense until actually attacked, if circumstances indicate that an armed attack is imminent."

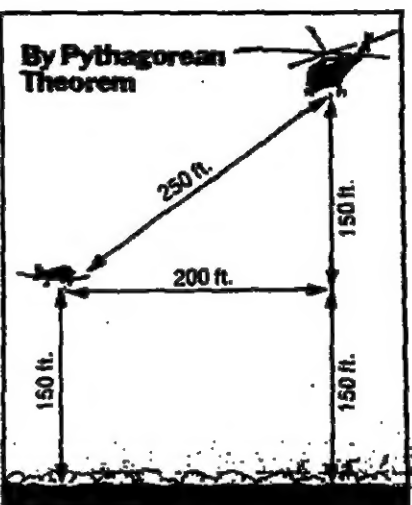
The Value of Pythagoras in the Cockpit

To the Editor:

Perhaps the most often asked questions of mathematics teachers are, "Why must we learn this stuff, and where are we ever going to use it?" Although the answer is not "to correct The New York Times," it is still useful to enable students to read critically, and not just accept information because it is on a printed page.

On your front page Aug. 15, you report that the near miss of President Reagan's helicopter by a private plane over Santa Barbara, Calif., occurred "within 200 feet." Your diagram caption says the plane "passed 200-300 feet to the left of the helicopter," making the minimum horizontal distance 200 feet. With the vertical distance of 150 feet that you show, a right triangle may be formed, whose hypotenuse length is the actual distance the plane was from the helicopter. To apply the Pythagorean theorem ($a^2 + b^2 = c^2$), the one thing most people remember from high school mathematics, this distance is 250 feet — more than "within 200 feet."

This is offered as the sort of thing



The New York Times, Aug. 30, 1987
mathematics teachers (and even parents) ought to point out to students who question the value of mathematics.

ALFRED S. POSAMENTER
Professor of Mathematics Education
and Associate Dean
School of Education, City College
New York, Aug. 15, 1987

Mini-Parade for North

To the Editor:

As a visitor to Philmont, N.Y., on the day of the Oliver North Day parade, I was astounded at your Aug. 16 news report. The photo, which might have seemed a section of the event, actually showed the entire parade, which by my count had 26 people, plus a school band and five fire trucks (drivers only) from neighboring towns.

The anti-North demonstrators outnumbered paraders by 4 to 1.

The people of Philmont, who stayed away in droves, are to be congratulated for their good sense, along with the pastors of the local churches, all of whom declined to participate.

WILLIAM SUSMAN
Great Neck, L.I., Aug. 16, 1987

President Has a Strategy for Ozone Agreement

To the Editor:

In "Protecting the Ozone Layer" (Op-Ed, Aug. 6), Michael Oppenheimer and Daniel Dudek suggest the President's public leadership "could be vital to clinching the deal to save the ozone layer." They also note that the final ozone agreement is due to be signed next month: "with critical details still undecided, the delicate consensus could easily evaporate." Why would they have the President proclaim his negotiating strategy, polarize the debate and leave State Department negotiators with no latitude?

Ozone protection can come only from global efforts. The point of the negotiations is not to win the hearts and minds of the public in countries

Under article 51 of the United Nations Charter, the only basis in international law for the use of force in self-defense, such action is lawful only "if an armed attack occurs." The largely abandoned opposite view pointed out that not only the use of force but also the threat of force was outlawed in article 2.4 of the Charter. Therefore, the argument went, the permission in article 51 to use force should be interpreted as including the threat of an imminent armed attack.

This view goes against the generally accepted canons of interpretation. A strictly formulated exception from a general provision may not be extended beyond its strict limits to cover other sets of circumstances included in the general provision.

The claim to a so-called pre-emptive or anticipatory right of self-defense was denied by this country's major allies. On Nov. 12, 1981, the delegate from Britain, speaking for all 10 members of the Common Market during the General Assembly debate, rejected the claim of pre-emptive self-defense in the case of Israel's raid on Iraq's nuclear power installations. He pointed out the dangers for world peace and security in allowing so-called anticipatory use of force.

The arguments against anticipatory self-defense were treated in more detail by this writer in the winter 1980 issue of The Georgia Journal of International and Comparative Law.

GAMAL M. BADR
Tenasly, N.J., Aug. 17, 1987
The writer is a consultant on laws of the Middle East and North Africa.

Can't Trust Congress

To the Editor:

"Guns in August" (editorial, Aug. 12) doesn't adequately address why President Reagan must ignore the War Powers Act: Congress cannot be trusted to keep a secret, much less act in the nation's best interest.

You are correct when you state, "Congress's explicit backing and the support of the gulf states would be of immense aid in facing down Tehran." However, you demonstrate how Congress sheds responsibility in your final sentence: "If the Administration cannot persuade Congress to resist so obviously dangerous a course" — of leaving a vacuum of power in the Persian Gulf — "it doesn't have a strategy worth defending."

If Congress feels the present course of action is warranted, it may show support by a simple vote of confidence; a legal action to produce enactment of the War Powers Act need not be necessary. We would then know where everybody stood. The constant practice of hiding one's true voting direction by way of insulators in this case the War Powers Act, is, regardless of the constitutionality of the legislation, immoral.

Repeatedly throughout the world, we are viewed as unreliable and undependable because of our inconsistent policy efforts. I believe this is because of a Congress that has changed the meaning of statesmanship to "self-manship."

THOMAS S. ARBUCKLE
New York, Aug. 13, 1987

Soviet Afghan Veterans Find They Are the Forgotten Soldiers

To the Editor:

I am a librarian who has just returned from a month of travel and study in the Soviet Union. I am fluent in Russian. While in Leningrad on Sunday, Aug. 3, my son (who is also fluent in Russian) and I witnessed a demonstration that seems not to have been reported in the United States. Here is what we saw and how we interpreted it based on conversations with Russian bystanders.

We were sitting in the park across from the Saltykov-Shchedrin Public Library, near the statue of Catherine the Great, at around 2 P.M. when we heard loud chanting coming from Nevsky Prospekt. People began running toward the Nevsky, and we followed. Along the Nevsky, a group of about 200 young men in blue berets was marching quickly and chanting, though it was unclear what they were saying beyond "raz," "dva," "tri," "chetyre" (1, 2, 3, 4). They were followed by two or three militia cars.

They turned left before the Fontanka Canal and proceeded to Marsovo Pole, a park with a memorial to Russians who died during the civil war following the 1917 revolution. They knelt in a large circle near the memorial for a moment of silence and then laid a wreath. A few words were spoken, but they were inaudible where we were standing. The young

men began to greet one another, hugging, kissing and sharing cigarettes. They kept to themselves and then quickly moved on. We decided not to follow, since it appeared the main action had occurred, and it was unclear if anything else would happen.

During the march from Nevsky Prospekt to the park people either followed the procession or stared in disbelief and curiosity. It was unannounced, unexpected and unclear as to purpose, since no placards were carried. On the other hand, the demonstrators clearly had permission from the authorities, who followed them, but kept their distance.

From the blue berets and at the park it became clear that these were veterans of the fighting in Afghanistan having a reunion in Leningrad and laying a wreath in honor of their war dead. Since one asked me where St. Isaac's Cathedral was, I assume some were from other parts of the Soviet Union. In the buzz of information being exchanged in the crowd, it emerged that the march was meant

to increase public awareness of the Afghan war, the sacrifices being made and of the need for a special memorial in recognition of the war and its cost.

The men marched down Nevsky several times again that day. We heard and saw them for the last times at 11 P.M. and 1 A.M. from the window in our hotel, the Evropeiskaya, near the Nevsky. The crowd of marchers had dwindled to about 50, but was still very loud. It was followed by more militia in cars who did not, however, interfere with them.

The Russians I spoke with on the street and in our hotel were very curious about the march and its objective. Some expected a report on the television news or in the next issue of Lenin-gradskaya Pravda. There were no reports, however, since this type of news and reporting is not what glasnost is all about.

Plattsburgh, N.Y., Aug. 17, 1987
The writer is head of reference at the Feinberg Library, State University College at Plattsburgh.



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ABROAD AT HOME
Anthony LewisBork
And the
Press

As law professor and judge, Robert H. Bork has criticized judges who in his view read the guarantees of the Constitution too expansively. On that ground he has denounced constitutional decisions going back 60 years.

But in at least one area Judge Bork has himself taken a broad view. That is protection of the press from chilling libel suits. He wrote, in 1984, what advocates of press freedom consider one of the great libel opinions of recent years.

The case was brought by Bertell Ollman, a political scientist specializing in Marxist theory, who had been attacked in a column by Rowland Evans and Robert Novak. The U.S. Court of Appeals in Washington divided over whether one pejorative statement in the column was an expression of opinion, which cannot give rise to a libel action, or a factual charge.

Judge Bork did not rely on the fact-opinion distinction. He joined the majority in rejecting Professor Ollman's suit, but he went on broader grounds.

"Those who step into areas of public dispute," he wrote, "who choose the pleasures and distractions of controversy, must be willing to bear

Public
dispute must
not be made
'safe and
comfortable.'

criticism, disparagement and even wounding assessments.

"Perhaps it would be better if dispute were conducted in measured phrases and calibrated assessments, and with strict avoidance of the ad hominem; better, that is, if the opinion and editorial pages of the public press were modeled on The Federalist Papers.

"But that is not the world in which we live; ever have lived, or are ever likely to know," said the law of the First Amendment must not try to make public dispute safe and comfortable for all the participants. That would only stifle the debate."

Noting the growing number of libel suits and the inflation of damage claims, Judge Bork said the courts must act to prevent an intimidating effect on free discussion. His solution was to give nearly absolute protection to speech and writing in "the public, political arena." Judges, he said, must see that cases involving that kind of expression did not go to juries.

The roots of that opinion can be traced as far back as 1971 in Judge Bork's writings. In a speech at the University of Michigan in 1979 he said our democracy would be "meaningless unless citizens are free to discuss and write about political men and issues."

The Michigan speech also included some tart Bork comments on the press. "Not a week goes by," he said, "without thundering from the journalistic corps that their freedoms are under assault. . . . When the press advances and loses some novel [legal] claim, it responds with an outcry that would lead the uninitiated to suppose it was being systematically stripped of centuries-old rights."

Those comments seem fair enough to me. The American press is the freest on earth, but it does talk sometimes as if it saw doom at hand. I also agree with Judge Bork, most journalists would not, that the press isolates and endangers itself when it seeks special privileges such as immunity from subpoenas.

There are aspects of Judge Bork's views on freedom of the press that are troubling. For example, he has questioned Supreme Court decisions holding, first, that a newspaper could not be compelled to run a candidate's reply to criticism and, second, that a broadcaster who found a rape victim's name in public court records could not be punished for publishing it. Those decisions were unanimous.

Judge Bork has also indicated doubts about the Pentagon Papers case: the 1971 Supreme Court decision refusing to prohibit the publication of excerpts from a secret official history of the Vietnam War. It was the great modern test of the long-established and fundamental principle that the First Amendment disfavors prior restraints on publication.

Libel cases make headlines these days, and libel law is so interesting that much is written about it. But a far greater threat to freedom of the press — and to democracy — lies in the Federal Government's insistent push to restrain and censor in the name of national security. Many cases reflecting that tendency are in the pipeline now.

Outside the press area Judge Bork has consistently supported claims of Presidential power. The question is whether, when a President asserts the power to silence public debate, Judge Bork would see as he does in libel cases that the functioning of our democracy is at stake.

Our Japan Problem — and Japan's

By John H. Makin

WASHINGTON — When members of Congress return to Washington in September, they will face several decisions that could determine the future of economic and strategic relations with our most important Pacific ally, Japan. We can only hope that a month's vacation has cooled the summer fires that were fanned by the Toshiba Machine Company's illegal \$17 million sale of military technology to the Soviet Union.

There are many possible interpretations of the intense reaction to Toshiba's misguided sale, which by enabling the Soviet Union to produce

John H. Makin is co-director of a study on United States relations with Pacific basin countries sponsored by the American Enterprise Institute for Public Policy Research and the University of Washington.

a quieter submarine could require the United States to spend billions to upgrade its antisubmarine forces. The graphic smashing of a Toshiba radio on the Capitol lawn was only one of many neo-isolationist tantrums by members of Congress to display for their constituents their contempt for Japan.

At the heart of Congressional anger over the Toshiba affair, though, lie the very real frustrations of unending economic and military competition abroad, heightened by budget constraints at home. America sees itself battling Japan on the economic front and the Soviet Union on the military front — a fight that was neatly symbolized by the Toshiba diversion.

Will
cooler heads
prevail?

Beware the I.N.F. Risks

By Eugene V. Rostow

President Reagan's speech of Aug. 26, which put the arms control issue in the perspective of foreign policy as a whole, is being wrongly dismissed as a ritual gesture to placate his right wing. We should not allow the important message of the speech to be drowned in the cacophony of dispute over the details of the agreement on intermediate nuclear forces.

Western opinion is eager to believe that Mikhail S. Gorbachev's domestic reform will necessarily end the Soviet foreign policy of indefinite expansion. There is no sign of such a change. As Mr. Reagan argued, a good arms-control agreement alone cannot end the tension between the two countries.

Clearly, we are about to witness the signing of a Soviet-American I.N.F. agreement based on the zero-zero approach Mr. Reagan has been advocating since 1981. It will probably be blessed with all the hoopla of a summit meeting.

Some of the experts are exalted by the prospect, others are filled with foreboding. Most of them, however, like our allies and other countries whose security ultimately depends on the American nuclear umbrella, are simply troubled. The allies support Mr. Reagan's initiative with their fingers crossed because they realize that an agreement that eliminated intermediate-range missiles without stabilizing the rest of the nuclear equation would expose them and America to an excruciating degree of nuclear blackmail.

Unless Western diplomacy is managed with flexibility and skill during the next six months, a modest victory for American and allied foreign policy could become a disaster, weakening or destroying the Western coalitions, leading a number of important industrial countries to become neutral or go nuclear and leaving America isolated in a cold climate.

Eugene V. Rostow, visiting professor of law and diplomacy at the National Defense University, is chairman of the executive committee of the Committee on the Present Danger.

Such an outcome is by no means inevitable. But the risks must be confronted, not dismissed in a burst of euphoria.

To fulfill the promise of the present situation, Western policy making should start with two facts. The first is that nuclear weapons are primarily political instruments, built not to be fired in anger but to induce political responses. The purpose of the American nuclear arsenal is to deter Soviet attacks on our vital interests, that of the Soviet nuclear forces is to deter Western resistance to Soviet expansion in strategic areas. The supreme national interest of the United States is to maintain the balance of power, that of the Soviet Union to escape from its restraints.

The second key fact is that intermediate range nuclear weapons do not constitute a separate part of the nuclear problem. Soviet intercontinental weapons can hit any target that can be reached by intermediate-range missiles, and Soviet superiority in that field has been recognized as critical in the West for years.

Mr. Gorbachev's objective in the nuclear arms negotiations seems obvious. The Soviet Union is seeking an I.N.F. agreement while it refuses to deal seriously with the other two components of the nuclear equation: intercontinental weapons and defensive systems. Under the Soviet plan, the elimination of intermediate-range missiles would be more than offset by Moscow's growing advantage in intercontinental weapons, its present monopoly or near-monopoly in anti-satellite weapons and defensive systems, and its formidable lead in space activities.

The Soviet Union is counting on the West to relax in the glow of an I.N.F.

Stabilize
the whole
nuclear
equation.

On a superficial level, the Congressional explosion was a straightforward "last straw" reaction. Congress has been struggling to cut the budget deficit and to pass a trade bill aimed primarily at Japan's frustrating trade practices.

Feelings were further rubbed raw by the meager 1 percent of its gross national product that Japan spends on defense, compared with our 6 percent. While it is possible to debate the merits of more defense spending by Japan, it is hard to argue that Japanese companies should, for the sake of \$17 million in exports, be permitted to sell sensitive technology to the Soviet Union, thereby requiring additional billions of American outlays to recoup lost strategic advantage.

The very real strategic significance for America of Toshiba's technology diversion is further enhanced by our reliance on a high-tech military that seeks to deliver maximum defense for the dollar. The Toshiba case provided a stunning reminder that the knowledge critical to maintaining a technological edge on one's adversaries always leaks out. To

keep our edge, we must, like Alice's White Queen, run ever faster just to stay in the same place.

This raises a separate question. If \$17 million of technology, purchased straight out of Toshiba Machine Company's catalogue, can render billions in measured losses of strategic advantage, how effective is a defense strategy that relies on a constantly atrophying technological advantage?

If this were all there was to the Congressional explosion, one could reasonably assume that the hostility would dissipate during the August recess. But there is more. Outside of Congress, a broader-based transformation of the American view of Japan is under way.

An article by Karel G. van Wolferen titled "The Japan Problem," published last winter in the authoritative journal *Foreign Affairs*, signaled the end of an essentially indulgent characterization of Japan popular among Japanologists during the post-war era.

Mr. van Wolferen, a Dutch journalist who has lived in Japan for many years, characterized Japan as having dealt cynically with foreigners, telling them through "buffers" — people responsible only for smoothing contacts with foreigners — precisely what they wanted to hear. Yet the "buffers," Mr. van Wolferen claimed, have "no mandate to decide or negotiate anything." People with such authority "simply do not exist in Japan." This charge carries a ring of truth in light of frequent disappointment over "promises" made by Prime Minister Yasuhiro Nakasone.

But there is a broader, potentially more troublesome trend indicated by the van Wolferen article. Along with a spate of articles on Japan published over the last two years, it signified the emergence of "The Japan Problem" as a major media issue. Theodore H. White's scathing article, "The Danger From Japan," published in *The New York Times Magazine* in 1985, set the tone for a series of negative articles about Japanese culture.

Mr. White seized on the building momentum of negative feelings about Japan's economic policies by equating these policies with a Japanese counterattack launched on the United States after America's military victory in 1945. Shortly after Mr. White's

The reason
a Toshiba
radio was
smashed.

article appeared, James Fallows wrote in the *Atlantic*, in an article suggestively entitled "The Japanese Are Different From You and Me," about the degrading and sadistic view of women in explicit Japanese sex comics. Elsewhere, Japanese racism and anti-Semitism are widely discussed.

Today, Japan is no longer viewed as a docile client state, and it is no longer "interesting" to learn about how different the Japanese are. Now that Japan is a major economic threat — and some of its greatest weapons are perceived to be cultural traditions like "buying Japanese," a conspiracy against foreigners and saving money fanatically — Japanese culture has been transformed into a threat.

Revelation of the Toshiba sale amounted to a devastating confirmation of this new popular, darker view of Japan. The American reaction ignores the fact that since quiet Soviet submarines are a far greater threat to an island nation like Japan than they are to the United States, a "Japanese conspiracy" to sell sub-quieting technology to the Soviet Union is highly implausible.

And although Norway's Kongsberg — by selling to the Russians the computers used to guide Toshiba's propeller-milling machines — committed exactly the same offense as Toshiba, the reaction to it has been less intense. Norway is not an issue. Japan is. Members of Congress smashed Toshiba radios, not sardine tins.

The confluence of America's increased cultural and political alienation from its erstwhile ally has not gone unnoticed in Japan.

In an article titled "Stepping On The Tiger's Tail," which appeared in the influential *Japan Economic Journal*, Masahiko Ishizuka warned Japanese readers that "as long as Japan lacks its own grand strategy — in terms of defense, economics and other matters — for the survival of its own nation and the whole world, it will continue to be pushed around by the U.S."

The relationship between Japan and the United States is stuck at a dangerous pre-adolescent phase, based on outdated stereotypes and perceptions.

Japan must consider whether it can really remain both a major economic power and a minor military power for much longer. More broadly, Japan must either accept the inevitable loss of national identity that partnership in a cosmopolitan world economic and political system implies or risk being treated as an outcast among advanced nations.

America must decide what it expects from an economic and strategic relationship with Japan and, realizing that it cannot unilaterally dictate terms or simply "send a bill" to Japan for defense, begin to discuss these subjects with Japan away from a crisis atmosphere. Otherwise, we are headed toward a breakdown in a critical alliance — something far more serious than Toshiba-smashing on the Capitol lawn.

ESSAY
William SafireThe
Weightless
Wordsman

WASHINGTON — Why is it, when Ronald Reagan speaks seriously and makes good sense on the most vital matters, his words no longer carry weight?

Last week, the President made the best speech on relations with the Soviet Union since his appearance at Westminster in 1982. He set forth a world view with intellectual coherence and a minimum of schmalz.

Mr. Reagan dared to remind us of the euphoria of the Great Powers in the meeting at Yalta in 1945, and how Churchill's fears of Stalin's duplicity were realized. After the agreements of that summit, "the Yalta guarantees of freedom and human rights in Eastern Europe became undone."

For a President whose sherpas are even now preparing a summit, to speak of the hopes dashed by the Russians after Yalta is reassuring; Mr. Reagan is promising not to follow the failing F.D.R.'s path.

The President restated his purpose: "our commitment to public candor about the nature of totalitarian rule and about the ultimate objective of United States foreign policy: peace, yes, but world freedom as well." Emphasis on "the extension of freedom" is catnip to conservatives and bitter apple to accommodationists.

He acknowledged the "interesting changes in the Soviet Union" but suggested we not go overboard on glasnost: "We must deal with the Soviet Union as it has been and as it is, not as we would hope it to be."

Mr. Reagan indicated how deeds could speak louder than words: "In April of 1987, we asked that a date be set this year for rapid and complete withdrawal from Afghanistan; in June, that the Soviets join us in alleviating the divisions of Berlin and begin with the dismantling of the Berlin Wall; that the Soviets move toward self-determination in East Europe and rescind the Brezhnev Doctrine."

And he urged the Russians to "show some glasnost in your military affairs" by publishing a valid budget of military expenditures that would reveal the size and composition of their armed forces, as we do. Such authentic steps toward openness go far beyond hands-across-the-sea rhetoric, or the political rehabilitation of the anti-Stalinist Nikolai Bukharin.

Soviet propagandists frown at Mr. Reagan's tone; he is showing how far the Russians have to go to make genuine changes in foreign policy, and they don't want anybody to be reminded of that, least of all Eastern Europeans. But that is what Mr. Reagan promised to do, urging the Russians to "fulfill the promises made at Yalta but never acted upon. Perhaps it is not too much to ask for initial steps toward democratic rule and free elections. And I hope to address this matter more fully before the United Nations General Assembly."

This Reagan speech was piped to the conference of Russians and Americans organized by John Wallach at Chautauqua, N.Y. It contrasted vividly with the oleaginous welcome given by Governor Mario Cuomo of New York. In his first venture into foreign affairs, Mr. Cuomo missed the gravitas train: grasping at what he saw as "a new eagerness to move toward demilitarization," he seemed to be angling for an invitation to tea with Mr. Gorbachev when the Governor visits Moscow next month. Although the Cuomo "new realism" smacked of the old moral relativism,

Why a
solid
Reagan
speech had
no impact.

the Reagan tone resonated in Democratic Senator Bill Bradley's sober-sided speech later in the week.

The President speaks clearheadedly on the central issue; why did his words have so little impact at home? Lameduckiness is too glib an answer; he has time to act. Nor is the public's disbelief at his Iran-contra protestations the main source of the President's fast-declining relevance, because such shrugging disbelief has not turned to active distrust.

One reason for the weightlessness of his written words to the public is this: Mr. Reagan's unwillingness to hold regular news conferences betrays a weakness in his commitment. O.K., he can read a speech, but is this what he would say, ad lib, under pressure? He skulked out of town after the hearings; nobody can tell if this position is the President's own or is a tough-sounding cover for nascent Nancyism.

The reason the arms-reduction cognoscenti are skeptical of the depth of his skepticism is this line inserted in his speech: "Even on-site inspection requirements are rapidly eroding; on the pretense of protecting our own missile-site secrecy, the Reagan Administration is backing away from the mutual on-site inspection Americans have sought for years. Mr. Gorbachev called our verification bluff and Mr. Reagan is folding his cards."

That's why a solid speech vanished into California's evanescent mists.

The Americanization of Bénéteau

The world's top maker of sailing yachts has set out to triple its share of the U.S. market.

By STEVEN GREENHOUSE

WHEN Annette Bénéteau Roux became chief executive officer of Bénéteau, she was 22 years old and the company, which produced modest wooden fishing boats, was on the brink of going under.

Mrs. Roux, who is now 45, has brought Chantiers Bénéteau a long way since then: She has transformed the operation her grandfather founded in 1884 into the world's leading manufacturer of sailing yachts.

But she sees one big problem — her company holds only a 6 percent share of the United States yacht market, which is by far the world's largest. To keep Bénéteau at the top of the \$900 million yacht industry, Mrs. Roux says the company needs to raise that to 15 or 20 percent.

"My biggest wish is to succeed in the United States," said Mrs. Roux, a short, sun-tanned woman whose notable charm is combined with immense self-assurance. "We're aiming for the Americanization of Bénéteau." To that end, the company this year opened a \$3.5 million yacht-assembly plant in Marion, S.C., one of this industry's first overseas plants.

The American competition is ready to prevent Mrs. Roux from expanding her beachhead. "Bénéteau is going to have a far tougher time achieving what it would like to achieve in the American market because there's a renewed feistiness and aggressiveness on the part of many American boatbuilders," said Roger D. Hewson, president of Sabre Yachts, a leading United States boatbuilder that is based in South Casco, Me.

The French yacht maker, based in this verdant resort town of 8,000 south of Brittany, made its mark by emphasizing sleek new designs and modern production methods at a time when most of the industry was snoozing. Bénéteau (pronounced BEYN-ney-toe) wowed the sailing world with trend-setting sailboats carrying price tags so low that they attracted customers who never thought of themselves as potential yacht owners.

"When you're in the boat business, you're somewhat in the toy business, and when you offer something new and interesting, like Bénéteau did, you'll attract the consumer's attention," said Jeff W. Napier, president of the International Council of Marine Industry Associations.

Indeed, the Bénéteau juggernaut has put dozens of European boatbuilders out of business, and some Americans as well. Officials agree that no single outfit has shaken up the sailboat industry the way Bénéteau has.

"The world was ready for low-cost, attractive, mass-produced yachts," said J. Richard Johnson, the editor of Yachting World. "They marketed with an image far livelier and younger than the boats in the U.K. and U.S., and they went off like a rocket."

The result: Bénéteau — which is 72 percent family-owned with the rest traded on the Paris Bourse — has grown by 20 percent a year over the past decade. The company had revenues of \$91 million last year and employs 1,100 people — up from \$250,000 in revenues and just 17 employees when Mrs. Roux took the helm in 1964. While many builders turn out just one or two dozen yachts a year, Bénéteau makes more than 5,000 boats annually, ranging from 23-footers priced at \$15,000 to 51-footers that cost \$300,000.

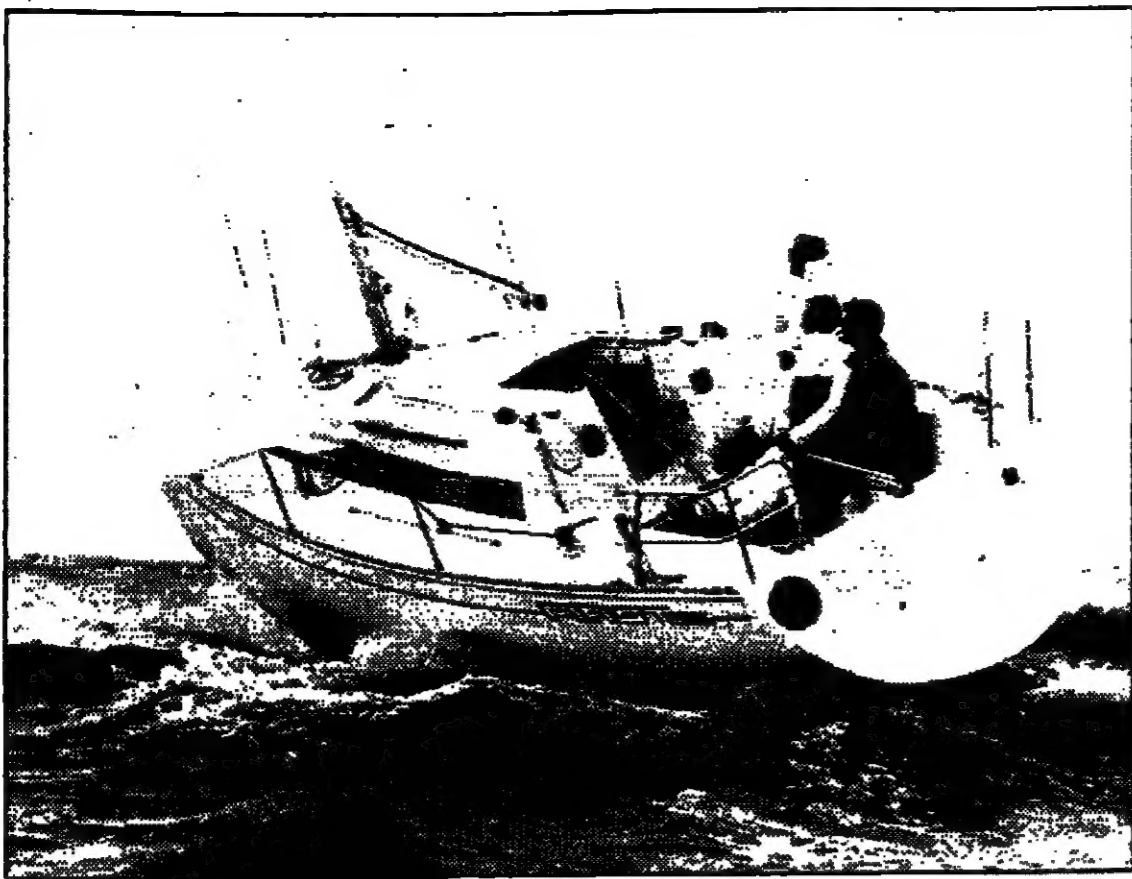
Bénéteau just started building the 51-foot boat, its largest ever, because yachts 40 feet long and up are the fastest growing part of the market. "The strength of the yacht market is in the upper end because of the strength of the stock market and because interest rates are down," said Persifor Fraser, head of Yachting magazine's mid-Atlantic office. "The people with real money are going out and spending it," he added.

In general, however, Bénéteau chooses not to align itself with the Ferraris of the boat world because the number of buyers for such elite boats is so limited. Instead, Joel Jarrillon, the company's director of exports, boasts: "We're the Toyota of the business." Successful executives, lawyers, doctors and film directors buy Bénéteau's largest models, which are semi-custom, and have been known to equip them with oil paintings, leather couches, VCR's and other luxurious fittings.

THE Bénéteau story is all the more impressive because the company climbed to the top even as its home base, the French sailboat market, was declining. That forced Bénéteau and the other highly successful French boatmaker, Jeanneau, the world's No. 2 sailboat company, to focus on selling abroad, and now 60 percent of Bénéteau's sales are outside France.

Mrs. Roux says she has used a simple philosophy to guide the company through changing times. "The most important reason for our success is we set our objectives and make sure we follow through on them," Mrs. Roux said. "Even if you're a self-taught executive like I am, that method works."

Mrs. Roux had worked briefly as a secretary



Above, a popular 9.5-meter racer-cruiser introduced this year; at left, Annette Bénéteau Roux, chairman.



Agency/Hippopot

before her father turned the business over to her in the mid-60's. At that time her older brother, André, an architect, designed the company's first fiberglass boat as a final effort to keep the family business from going under. Annette put that boat on a trailer, attached it to the back of her car and drove it around the western coast of France. The tradition-bound fishermen scoffed at the novel craft, but pleasure boaters loved it and gave the struggling company all the orders it could handle.

The lesson was not lost on Mrs. Roux, and she decided to steer the company into recreational boats. In the mid-70's it took the market by storm with its dashing racer-cruisers: Bénéteau's boats were lighter and faster, their lines sexier and their interiors warmer than most of the competition's. The cabins had more light, prettier curtains and were fitted with teak instead of plastic. The sleeping arrangements, as one would expect from the French, were cozier and more private.

Bénéteau's competitors responded, somewhat belatedly, but they still find it hard to match the pace-setter, since Bénéteau has 40 models — to

cover every market niche. Moreover, Bénéteau updates about 10 of its models each year in an effort to keep up with changes in consumer taste and technology, further frustrating its competition. "If you're in the business, you're now expected to bring out a replacement design for your 28-footer even when the existing design still has extra life in it," said Paul Wagstaffe, chief executive officer of the British Marine Industries Association. "To do that you need size and scale," and nobody, he added, has the size and scale of Bénéteau.

Bénéteau also pressures its competitors by investing far more heavily than they do in designing racing boats and entering them in prestigious races. It knows that good showings by its boats will score many points with the boat-buying public. And Bénéteau's huge advertising budget, which dwarfs those of most of its competitors, makes sure the world knows about the company's racing exploits.

Unfortunately for Bénéteau's competitors, they are finding it just as hard to keep up as the French company's production techniques. Bénéteau has workshops devoted to the painstaking process of building hulls, where layer upon layer of fiberglass is sprayed or wrapped on meticulously. It also has assembly lines where workers use overhead cranes to attach the deck to the hull; at other stages, workers use neat assembly kits to attach furniture or install the plumbing and wiring.

"I've been to a lot of boat plants in my life," said Mr. Fraser of Yachting magazine, "and I've never seen one like the Bénéteau plant I visited."

Its woodshop is one of the areas Bénéteau boasts

most about. For the cabinets, paneling, deck and furniture of each boat, Bénéteau knows exactly the size and shape of each piece of wood needed, and the company uses ovens, baths, driers and lathes to shape teak wood exactly to specifications. This engineering enables the company to put in a lot of wood quickly and cheaply when wood installation at other companies often requires dozens of hours of painstaking hand work. Through steps such as these, Bénéteau says it has reduced the amount of time needed to build its smallest boat to 150 manhours, from 250.

BÉNÉTEAU'S decision to build many low-cost plants — it has six in France — was part of a growth strategy mapped out by the Boston Consulting Group in 1980 at Mrs. Roux's request.

She turned to the Boston group because it had contacted her husband, who is president of his own hardware company and an executive vice president at Bénéteau, as part of a study it was doing on the hardware industry.

Because Bénéteau already had the most efficient technology, Boston Consulting concluded that the boat maker should follow a policy of "globalization" to capture the world market for high-style low-priced boats. And so far that export-related strategy has worked. Bénéteau holds 17 percent of the European market and hopes to increase that to 25 percent.

Bénéteau's foreign competitors complain that French Government subsidies to help build factories and low-interest revolving loans to promote exports give their archrival an unfair advantage. "Having the strength of subsidies behind them, Bénéteau has grown and grown and been able to do basically what they want," said John G. Moody, marketing director of A. H. Moody and Sons Ltd., a leading British boat builder. "Having said that I must add that they have a very good design and sales team, but they were probably financially more equipped to do the job by virtue of the subsidized money."

But other countries subsidize their manufacturers, and Bénéteau officials say the complaints are sour grapes from competitors who have been slow to update their designs and production. Mrs. Roux says her biggest fear is not that competitors will outstrip her in creativity or technology, but that a sudden unforeseen change in the market will leave Bénéteau in its wake. "What will happen next? That's the question that we ask ourselves constantly," she said.

Mrs. Roux maintains that one of the reasons Bénéteau has succeeded when many other family-run companies have failed is that the family members' talents complement each other's. She is the marketer and manager, the one clearly in charge, while André concentrates on design. A younger brother, Yvon, a teen-ager when she became chairman, is now director of production. "In principle it can be much harder to manage a family business," she said. "But it wasn't difficult for us because we don't have the same qualities at all."

She also believes that being a woman chairman in a country not known for having many women executives did not hurt her company. "A lot of our customers thought it was charming to have a girl as chairman," she said.

Yet she remembers some awkward times, too. Once she went with other Bénéteau officials to a meeting with some California bankers. "When they greeted us they shook everyone's hand but mine. They pretty much ignored me," she said. "So when I started speaking to give our presentation, they were incredibly embarrassed."

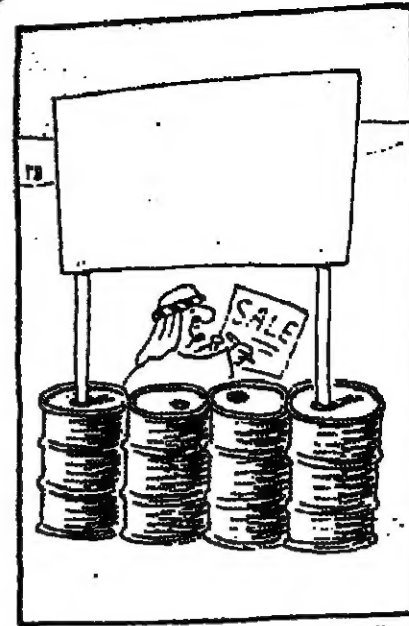
Some French publications have described Mrs. Roux as being immodest because she talks so glowingly about her successes. At the same time, however, they praise her for masterminding her company's innovations, which have led the world's boatmakers to imitate Bénéteau.

For her part, Mrs. Roux never complains about competitors borrowing her designs. "When people stop copying us," she often says, "then we'll know we're doing something wrong."

The Economy

WEEK IN BUSINESS

Oil prices are defying normal trading patterns. With turmoil rampant in the Persian Gulf, oil would normally have gone through the roof as traders became nervous that shipments would be endangered or cut off. But OPEC, that group of bickering oil producers, apparently has been over-producing and ignoring price and quota agreements, and that has led to a glut on the market. Prices fell near \$18.50 a barrel in spot trading, but were run back up above \$19.50 a barrel in midweek by reports that OPEC was going to meet — even though past meetings have been generally ineffective — and by Saudi Arabian talk about getting tough with Iran, which could significantly affect oil shipments in the gulf.



Time/Hulton

The dollar continued to drop, testing the resolve of the seven industrialized nations — particularly the United States and Japan — to support it. Many of the nations did intervene some, buying enough dollars to bolster the currency a bit, but the market is so bearish that more forceful action is viewed as needed. The fall of the dollar could accelerate if the major central banks show no real interest in backing it. Among the things that could help the dollar are higher interest rates in the United States, which would make dollar-denominated investments more attractive, and a lower Japanese trade surplus, which translates into a lower United States trade deficit. In the second quarter, the American trade deficit was a record \$39.5 billion.

Treasury bond yields jumped in reaction to the selloff in dollars, rising to their highest levels of the year. The Fed has also shown some inclination toward tightening its monetary policy, and that added to the upward pressure. The new Fed chairman, Alan Greenspan, has so far not shown his hand as far as monetary policy is concerned, and many bond traders are anxiously awaiting the first sign.

Stocks fell sharply during most of the week, but traders managed one good day in which the Dow Jones industrial average hit a record 2,722.42. For the week, though, the Dow was dragged down by the fall of the dollar and bond prices and ended down 70.15 points, at 2,639.35.

Durable goods orders dropped 1.5 percent in July after six months of increases. But many analysts were not depressed by the news, noting that consumer spending is up — it gained nine-tenths of 1 percent in July — and that means people will be wanting to buy the washing machines, cars and heavy equipment that make up the durables indicator. In addition, much of the July drop in durables was in transportation equipment, and that is a sector that easily bounces back.

Durable Goods
-1.5%
in July

Hartford National and Shawmut plan to merge, creating another super-regional bank in the Northeast. Hartford is Connecticut's largest bank, while Shawmut is one of the biggest in Massachusetts. Under a new regional banking pact, the New York money-center banks had been expected to grab up the choicest mid-sized banks. But many of them have decided to merge with others of their size to create a big bank that could bar the door against New York.

Moscow wants to join GATT, or at

MERRILL PERLMAN

The New York Stock Exchange

MOST ACTIVE STOCKS WEEK ENDED AUGUST 28, 1987

Company	Sales	Last	Net Chng
IBM	20,962,300	225 1/8	- 3/8
AT&T	11,873,000	166 1/2	- 5/8
AT&T	11,250,000	33 1/2	- 1/8
RJR/Nb	10,445,500	67 1/2	+ 3/4
Phil Int	10,286,600	116	+ 4 1/2
Tex Inv	8,381,300	31 1/2	- 1
FPL/Gr	7,725,600	32 1/2	- 1/8
Gen Ed	7,046,800	62 1/2	- 3/8
Det Ed	6,099,700	15 1/2	- 1/4
Unisys	6,012,500	44 1/2	- 2 1/2
Ahmans	5,921,900	21 1/2	+ 1/4
Nt Semi	5,846,800	14 1/2	- 1/4
Xerox	5,792,800	80 1/2	- 4 1/2
Smk B	5,630,100	62	- 3/4
A Exp	5,523,500	36 1/2	- 2 1/2

MARKET DIARY

	Week	Prev.
Advances	709	1,009
Declines	1,274	942
Total Issues	2,198	2,204
New Highs	240	266
New Lows	54	58

VOLUME

	Last Week	Year To Date
Total Sales	878,956,360	30,299,606,578
Same Per. 1986	654,614,759	23,294,236,732

WEEK'S MARKET AVERAGES

	High	Low	Last	Net Change
New York Stock Exchange	231.7	225.1	225.1	-5.30
Transp	186.5	161.5	161.5	-3.50
Utilities	80.0	77.4	77.4	-2.41
Finance	164.9	160.2	160.2	-4.13
Composites	188.4	182.9	182.9	-4.52

Standard & Poor's

	Sales	Last	Net Chng
400 Indust	394.6	382.4	-9.92
20 Transp	273.3	263.7	-9.53
40 Utils	121.2	116.6	-4.18
40 Financial	32.5	31.2	-1.98
500 Stocks	337.8	327.0	-8.86

Dow Jones

	Sales	Last	Net Chng
30 Indust	2725.2	2632.0	-24.07
20 Transp	1092.5	1068.8	-24.63
15 Utils	210.2	204.2	-5.58
65 Comb	992.9	961.0	-24.76

The American Stock Exchange

MOST ACTIVE STOCKS WEEK ENDED AUGUST 28, 1987

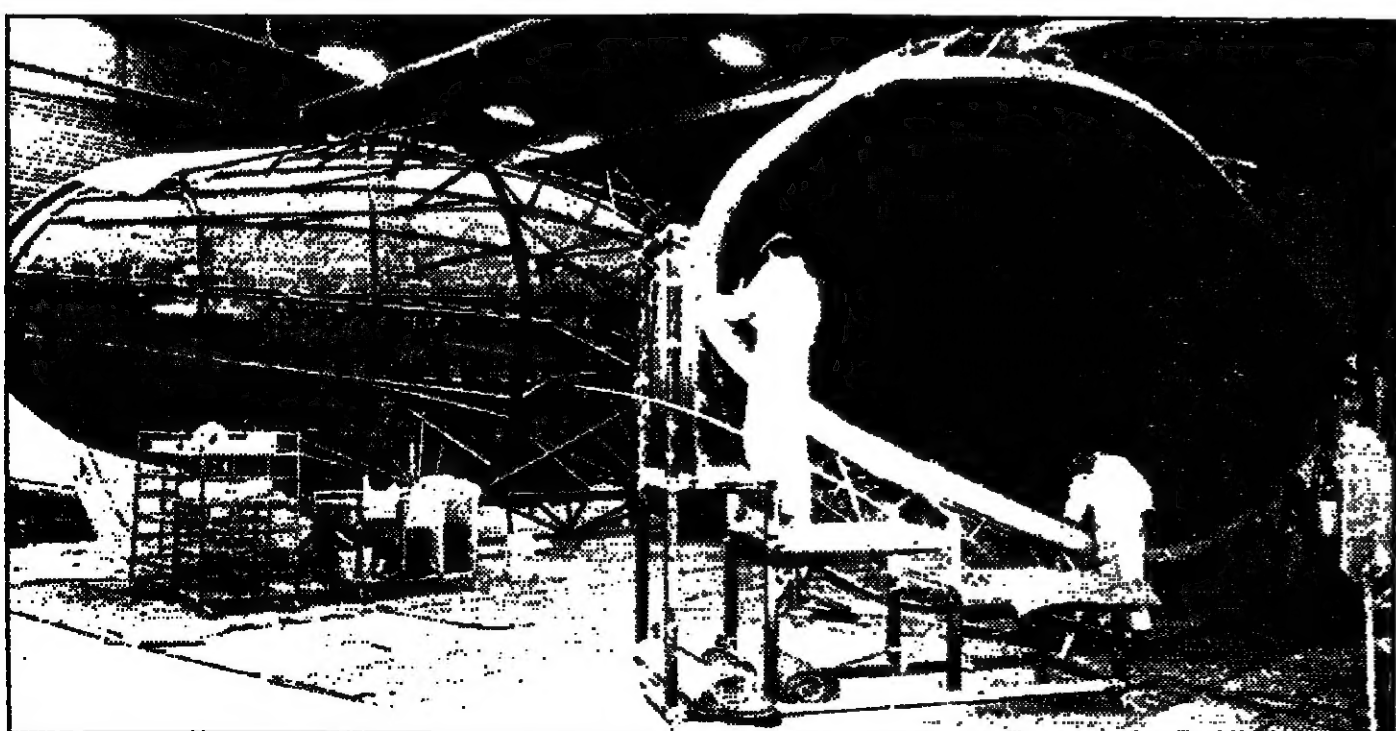
Company	Sales	Last	Net Chng
Teleph	4,815,300	34	+ 3/4
BAT	2,423,900	10 9-16	+3-16
WangB	2,275,300	18	+ 1/4
TexAir	1,908,000	32 1/2	- 3/4
EchBay	1,897,900	27 1/4	+1 1/4
CamCr	1,410,400	17	+1 1/4
BlockE	1,351,300	6	+ 1/4
BolarPh	1,301,400	38 1/2	+3
Viacom	1,095,700	26 1/2	...
NYTimes	1,079,200	45	-2 1/4

MARKET DIARY

	Week	Prev.
Advances	365	413
Declines	500	466
Unchanged	158	146
Total Issues	1,023	1,025
New Highs	94	72
New Lows	53	49

VOLUME

	Last Week	Year To Date
Total Sales	65,734,945	2,313,729,645
Same Per. 1986	46,814,960	2,077,104,564



Agency/Hippopot

In one of Bénéteau's low-cost assembly plants, workers rivet the deck to the hull of the yacht. They use kits to attach furniture and install plumbing and wiring.

Hungarian Jewry wants to live

Gisela Weisz

IN HUNGARY, where during World War II the plan was to get rid of all the Jews, there is a renewed flowering of Judaism.

During the past four decades the Communist government of the Hungarian People's Republic merely tolerated religious studies and synagogue services in the country. For the past two or three years, however, there has been noticeable support of the Jewish religion.

Tourism means income and hard currency for the state. It is possible that the government's object is to have more foreigners impressed by a visible, flourishing Judaism in Hungary, thereby bringing in more tourist dollars.

Statistics are not available, but it is estimated that there are approximately 100,000 Jews living in Hungary today, compared with an estimated 600,000 before the Nazi terror.

Jewish tourists have lately been visiting Budapest in increasing numbers, especially during the fall. Visitors tell fantastic stories of services in the beautiful, 130-year-old Dohany Street Synagogue. For the high holy days, the synagogue, with 3,400 seats, overflows with worshippers, their number nearing 5,000. Those who cannot get inside pray in front of it. According to eyewitnesses, during Yom Kippur and Rosh Hashana, the sidewalk is thick with well-dressed people saying their prayers.

While attendance at the synagogue during the rest of the year is also on the increase, it is questionable whether services can continue to be held there for long, for the actual physical safety of the congregation is in danger.

The magnificent Moorish-style edifice, with its sculpted, gold-painted balconies, is crumbling. Under the entire wide ceiling, above the glittering chandeliers, a large, ugly plastic sheet is stretched to prevent plaster from falling on visitors.

The architectural masterpiece was once the centre of a rich Jewish community and a powerful symbol for Hungarian Jewry. The structure, which served generations as the most important synagogue in Budapest, was a shelter during the Nazi terror for the living and the dead: About 200 victims, whose bodies were found on the streets of the ghetto in 1944, are buried in its courtyard cemetery.

Rabbi Alfred Schöner, spiritual leader of the community and a member of the Hungarian parliament, expressed deep concern when he said: "If the Dohany Street Synagogue goes, Hungarian Jewry will go with it."

A whole generation of Hungarian Jewry is missing: very few Jews whose birth year was between the years 1929 and 1945 have survived. Those were the children who were killed during the Nazi regime. They never grew up and consequently could never produce children themselves. In the following generation—the generation of today's young parents—a fervent and remarkable desire for Jewish identity and Jewish education is apparent.

In Budapest, connected with the

Dohany Street Synagogue, afternoon Talmud Torah classes are held three times a week. The hours are flexible, in order to accommodate students coming from other educational institutions.

At the recently-opened school in the Wesselenyi utca, the four classrooms are filled with pupils aged 4-14 studying Judaism. Classes are held in history, literature and the Hebrew language, along with music and religious studies.

At the Anne Frank Gymnasium, the capital's Jewish high school, 40 youngsters belted out *Heavenly Shalom Aleichem* at the end of the 1987 school year.

In modestly-furnished, clean classrooms, parents and grandparents lined the walls, craning their necks behind one another, rooting for their offspring's correct answer.

For the Talmud Torah examination, 340 students, gathered from the country's smaller communities, joined religious students in the capital and took part in the "Hevesi" contest, the year-end quiz on Jewish customs, prayers and history. (The quiz is named after Rabbi Simon Hevesi, philosopher and chief rabbi of the city from 1927 to 1947.)

To create fellowship, following this closing exercise everyone who attended was invited for a three-course midday meal at the kosher food factory's large dining room in the Pava utca. As is the customary holiday practice of this community, 600 people were served soup, meat, vegetables and cake free of charge.

Besides the food factory, there is a kosher community kitchen in Budapest. The city also has two choirs engaged constantly for religious services and the Jewish Museum displays artifacts more than a thousand years old.

A CENTRE for Jewish studies was inaugurated on July 1 this year in Budapest's Eotvos Lorand University, the first institute of its kind in Eastern Europe. The ceremony took place in the presence of Ivan Berend, president of the Hungarian Academy of Sciences, and Philip Klutznick, president of the U.S.-based Memorial Foundation for Jewish Culture.

A Jewish weekly published in Budapest, *Uj Ezer*, has a circulation of 7,000. It keeps memories alive of the once flourishing community, and deals with present-day Judaism in Hungary. It devotes a considerable amount of space to children's interests. In simple language, it explains the meaning of the holy days, tells stories with a Jewish slant, and offers riddles and puzzles for the young readers.

AN INCREASING number of articles and books dealing with the Holocaust is being published in the Hungarian press. Recently, the first Hebrew-Hungarian prayer book to be printed since the war came off the press.

Another witness to the revival of

Hungarian Judaism is the reprint of one of the most outstanding Haggadot ever published in the country.

In 1942, braving the accelerating onslaught of the fascists, the charity organization Omza, created to help the suddenly unemployed and unemployable Jews, published a multi-coloured, artistically illustrated Hebrew-Hungarian Haggada. Szep Erno, one of the larger-than-life Jewish writers, Bereny Robert, a first-class graphic artist, and the martyr Gondor Bertalan, who later perished in Mauthausen's death camp, contributed their designs to this masterpiece. Now, in 1987, this impressive, richly-illustrated tome is again available.

THIS YEAR, the Budapest rabbinical seminary—the only one in Eastern Europe—ceremoniously ordained four spiritual leaders. The three rabbis were Andras Schonberger, Isaac Fuchs and Jurij Korzenovics, and Zoltan Jary will take the position of pulpit orator. The festive event, conducted before a large audience, was attended by the state's Clerical Vice-President, Sarkadi Nagy Barna, and the entire Hungarian Jewish community leadership. Also present were the chief rabbi of Moscow, Adolf Sajevics—a past student of the seminary—and the chief rabbi of Rehovot, Dr. Karoly Jolesz.

On Shavuot this year, 34 girls, aged 14, were confirmed in the Dohany Synagogue. The choir sang as the girls, in white blouses and navy skirts, filed up in front of the ark.

After the service a large, happy crowd of relatives mingled with the girls, showering them with presents and bouquets of flowers.

Lake Balaton, surrounded with little lakeside resorts, in the western part of Hungary, for many years served as a summer retreat for vacationers. A few months ago in Siofok, one of the picturesque little towns, a new synagogue was dedicated. A few summers ago, in another lakeside resort, Balatonfured, a children's Talmud Torah summer camp was established.

WHILE JEWS are no longer afraid to wear Star of David pendants, anti-Semitism has not disappeared. Overt anti-Semitism is strictly forbidden by law, but manifestations of anti-Jewish feelings come to the surface in insidious ways. At a football game last January, when one of the teams, the MTK, won 13-2, a microphone inadvertently left open picked up the jeering of the 3,000 spectators. They shouted in unison: "Dir-ty Jew! Dir-ty Jew!"—in spite of the fact that there are no Jewish players on the MTK team. Jews are, however, among the team's managers and fans.

There is some movement of late towards a warming of Hungarian-Israeli relations, and re-establishment of formal diplomatic relations. The cultural exchange between the two countries is a promising sign. In June, the Diaspora Museum, Beth Hatefutsot, brought a travelling exhibition to Budapest.

Contrary to the practice of a few years back, tourists can now travel to Israel and visitors from Israel are welcome in Hungary.

Beginning this fall, a monthly magazine, *Kiffo*, will appear as an Israeli-Hungarian co-production. The glossy literary periodical will be printed in Tel Aviv.

Ephraim Kishon, who was born in Hungary, came back to Budapest this year to appear in person on the stage, playing a part in one of his comedies translated from Hebrew.

THE LONG busbed-up story of Raoul Wallenberg surfaced this year. The Swedish diplomat, who saved thousands of Jews in 1944 with his home-made, hastily manufactured documents and who persuaded the Nazis not to burn down the ghetto in the centre of Budapest, was honoured with a long-awaited memorial.

The bronze statue is in a park next to one of Budapest's main thoroughfares, the Szilagy Erzsébet Faszor. The three-piece composition, created by the sculptor Imre Vargha, depicts a man standing between two stone slabs and reaching out towards the viewer as if he wanted to speak. Engraved on one of the giant stones is the figure of a man battling with a snake. Encircling the body is a Latin quotation from Ovid: "Donec eris felix multos numerabis amicos. Tempora si fuerit nubila, solus eris. As long as you are successful you can reckon on many friends. If times become dark, you will be alone."

WORLD ATHLETICS CHAMPIONSHIPS

Ben outguns Carl in record showdown

ROME (AFP).—Canada's Ben Johnson repulsed Olympic champion Carl Lewis's claims to the world sprinting crown with a stunning world record in the biggest athletics showdown of the year—the men's 100 metres final—at the world championships here last night.

The 25-year-old Commonwealth champion exploded out of his blocks and won in 9.84 sec.—nine hundredths of a second inside the world best Calvin Smith of the U.S. set four years ago.

Jamaica's Ray Stewart won the bronze. The time was later revised to an amazing 9.83—a full tenth of a second inside the time Smith achieved with the aid of Colorado Springs' 1,831 metres altitude.

"This is the best I've felt all season," an elated Johnson said afterwards. "I knew I was peaking for this meeting. I'm going to run it still faster next year," he added.

Johnson had run three sub-10 second times this year, equalling his personal best and previous fastest at sea level of 9.95 sec. in West Germany, two weeks ago.

The Jamaican-born Johnson was sheer power. He simply ran away from Lewis, quadruple Olympic champion in 1984 and triple gold medalist at the first world championships in Helsinki four years ago, who had constantly disputed the Canadian's claims to the No. 1 spot. The American, who also competes in the long jump and runs the sprint relay here, had bitterly contested defeat when the two men matched up for the first time this year in Spain in June.

But there was no doubting this win.

The two men were drawn in adjoining lanes and Johnson rubbed in his superiority with an incredible run.

Stewart, who ran a wind-aided 9.89 sec. at the Pan American Games three weeks ago, came through to play Britain's European champion Linford Christie for the bronze.

Silke Gladisch and Heike Dreschler achieved an East German one-two in the women's 100m final. Gladisch, fastest in the world this year with 10.86 seconds two weeks ago at the East German championships, quickened her pace in the second half of the race for a resounding win in 10.9 sec.

Dreschler, who goes for gold in the long jump relay, had a terrible start but stormed back although she was never going to match her compatriot's opening finish. Gladisch is also favourite for the 200m.

Jamaica's Marlene Ottey, fourth in Helsinki and third in the LA Olympics, took the bronze. World record holder Evelyn Ashford had failed to make the U.S. team.

The second world record of the day fell when Bulgaria's Stefka Kostadinova broke her own women's high jump record, clearing 2.09m. (6ft. 10 1/4 in.). She set her previous best of 2.08m. in Sofia last year.

Kostadinova won the gold from reigning champion Tamara Bykova, of the Soviet Union, who cleared 2.04m.

The bronze medal went to Susanne Beyer of East Germany with a jump of 1.99m.

Ed Moses, still superb despite his first two defeats in nearly a decade this year, opened the defence of his 400 metres hurdles crown in second style.

Moore, Olympic gold medalist in 1976 and 1980, strode to victory in the first heat in 49.03, more than half a second ahead of second-placed Henry Anikye of Nigeria.

Harvey, fellow American Danny Harris, who ended the runner's 122-race winning streak in Madrid last June, gave Moses ample warning that his Helsinki title will be under threat when he took the second heat with plenty to spare in 48.74. Israeli Ben Gelman was last of the eight runners in the third heat, timing 52.54 sec.

Later on Saturday night, Paul Kipkoech put



POWER MAN.—Ben Johnson demolishes Carl Lewis in yesterday's battle in Rome to become the world's fastest man. (Reuters)

Kenya's name back on the athletics map with an extraordinary mid-up. With two laps to go the trackside lap counter suddenly showed just one lap remaining. Kipkoech kept going until he heard the bell but none of the others thought the race was over and stopped. Both Mexico's Arturo Barrios and Britain's Steve Rhoads might have won a medal but for the extraordinary confusion.

But there was no doubting the tall Kenyan soldier's triumph. He had not run under 28 seconds for 25 laps this year but he tore the field apart in the second half of the race for a famous

Amos faces little-known Italian at U.S. Open

By JACK LEON

Amos Mansdorf is drawn against little-known Italian Claudio Pistolesi in the first round of the U.S. Tennis Open, starting tomorrow in New York.

With the 20-year-old Pistolesi currently 93rd in the ATP's world singles rankings and Mansdorf last week climbing to a career-high 24th on the computer, on paper this looks like an easy match for Amos.

Mansdorf, nearly 22, is the only Israeli direct entry in singles at Flushing Meadow. Shlomo Glickstein and Gilad Bloom are playing in the singles qualifier of this Grand Slam meet, worth \$100,000 of the \$1,700,000 total prize money.

Rome-born Pistolesi—at present ranked fourth in Italy—was the "International Tennis Federation's" No. 1 ranked 18-and-under junior in 1985, winning the Orange Bowl and reaching the semi-finals at both the French and U.S. junior championships. Some useful performance of late on the men's pro-tennis circuit have lifted him 90 places up the world rankings since January.

At last year's U.S. Open, Mansdorf reached the third round in singles, with straight-set victories over Czech Tomas Smid and Mexico's Francisco Maciel, before going out to eighth-seeded Henri Leconte of France. No Israeli has yet reached the fourth round at Flushing Meadow.

Mansdorf told his family a few days ago that he was fully fit again, after a severe stomach upset earlier this month forced him to withdraw from the Canadian Open and then left him

below par in Cincinnati the following week.

Glickstein was a direct entry at Flushing Meadow every year between 1980 and 1986, and then last August he was one of the 16 singles qualifiers for the tournament proper.

Bloom, 148th on the ATP computer, just missed acceptance as a direct entry and is a leading seed in the 128-draw qualifier. The 16 who reach the fourth round go through to the tournament proper.

The country's top woman player Dana Berger was not accepted for the women's singles qualifying meet, because the cut-off for entry was well above her present 240th place in the WTA world rankings.

Boaz Merenstein, who as first reserve was a last-minute entry into the qualifier, made a quick exit after being overwhelmed by American Jonny Levine 6-0, 6-1.

Svensson rolls on

JERICHO, New York (AFP).—Sweden's Jonas Svensson, who beat Wimbledon champion Pat Cash in the quarter-finals, reached the final of the \$150,000 invitation tournament here on Saturday by beating Henri Leconte of France 6-3, 6-3.

In the final, Svensson faces American David Pate, who upset Ivan Lendl in the other semi-final on Friday night.

In Ry, unseeded players Peter Lundgren of Sweden and American John Rous scored upsets to advance to the final of the \$104,900 Rye Open.

Lundgren, ranked 58 in the world, best third-seeded Indian Ramesh Krishnan 6-2, 7-5 while Rous, ranked 256, surprised countryman Richard Matsenweil, ranked 146, 1-6, 6-2, 6-2.

Lod creep into contention

Post Sports Staff

Despite suffering only their second defeat of the season in the latest round of games, Young Ashdod are still favoured to join two other clubs from the southern port city as qualifiers for the semi-finals of the local cricket league.

They have, however, dropped from top place in the B Section of the league after their defeat on Saturday by Maccabi Lod A. Both clubs, together with Hebrew University, are vying for the two places in that section while Ashdod A and Modern have virtually booked their semi-final places.

LATEST RESULTS: Maccabi Lod A best Young Ashdod by 5 wickets. YA 182 all out (R.

Israel 38, E. Kasek 3-14, B. David 3-26).

Lod 163-5 (M. Joel 35, A. Aaron 3-23).

Rapoel Ramla best Mac. Patah Tikva by 34 runs. Ramla 129 all out (N. Raeban CJ, H.

Davidson 4-17, Y. Scharon 3-47). PT 95 all out (B. Davidson 47, N. Raeban 4-16, Z. Moshe 3-13).

Standings

SECTION A				
	P	W	L	Pts
Modern Ashdod A	6	5	1	50
Young Ramla	7	4	3	40
Hep. Dimona	6	3	3	30
Lod B	7	2	5	20
Bnei Shimon	8	1	7	10

SECTION B				
	P	W	L	Pts
EU	7	6	1	60
Ashdod	7	5	2	50
Lod A	8	3	5	30
Hep. Ramla	8	3	5	30
Mac. P.T.	8	2	6	20
Ezyon Shik	8	1	7	10

Strange struggles to stay on top

AKRON, Ohio (Reuters).—Curtis Strang struggled with his game but managed a two-under-par 68 under sunny skies at Firestone Country Club to maintain a two-stroke lead after three rounds of the \$800,000 World Series of Golf.

Davis Love, who was four strokes off the pace when the day began, fired his best round of the tournament, a four-under-par 66, to move into contention on 206. He was alone in second place.

Falton Allen of South Africa bridled the first final holes for a 67 and moved into a tie for third place at 206 with Americans Bobby Wadkins and Tom Kite. Greg Norman of Australia was in a seven-man tie for sixth place at even-par 218.

In Houston, Tennessee, Robert Thompson fired an eight-under-par 62 to make a charge from well back for a share of the lead on 196 with fellow-American Rocco Mediate after three rounds of the \$450,000 Byron Classic.

HOCKEY.—The Netherlands reclaimed their European hockey championship yesterday when they beat England 3-0 on penalty strokes after a thrilling final, which had gone to extra time, left the sides locked together at 1-1.

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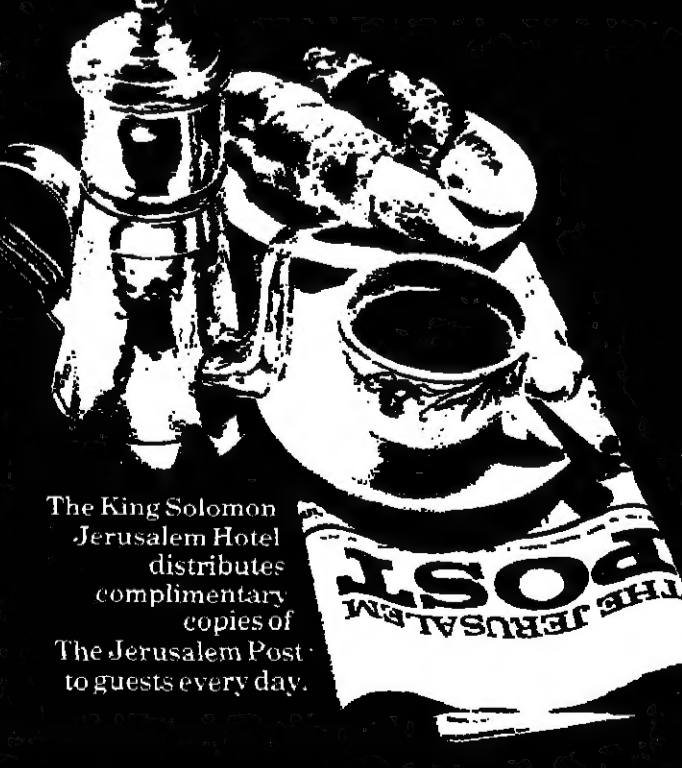
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Those with "old shekel" notes or coins can change them at the banks or the Bank of Israel, only up to Thursday, September 3, 1987, after which date such notes and coins will not be legal tender.

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Recovering economy brings back profits for Ampal

New life for an old investment firm

By PINHAS LANDAU
Post Finance Reporter

Ampal American Israel Corp. is beginning to come out of a long, dark patch that looked, a couple of years ago, as if it might be fatal. Recent developments, however, and hard evidence in the form of improving profitability, suggest that the veteran investment company has been born again.

Ampal has been engaged for the last 46 years in raising funds in the U.S., mainly through the issue of bonds, for investment in Israel either through lending the money on, or through equity participations. The company is owned by Bank Hapoalim, and its customers are almost all from the Hapoalim, or at least the Hadrat Ha'ovdim, empires.

If you think you haven't heard of Ampal, or can't quite place what it's involved in, here are a few helpful hints:

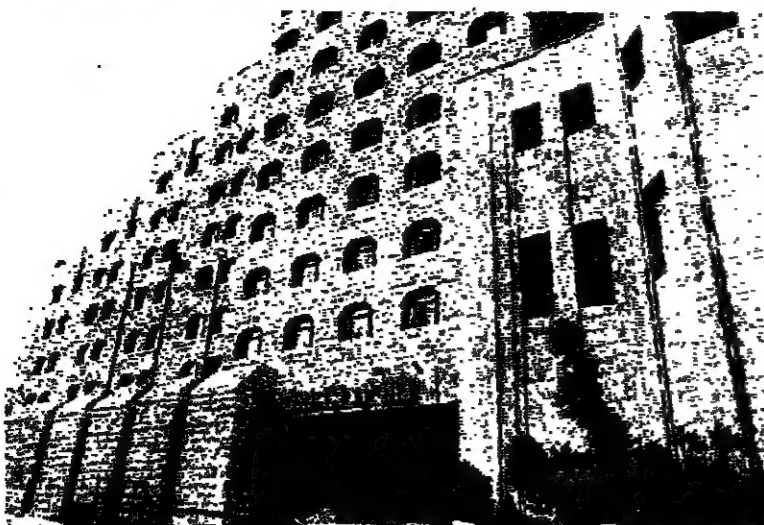
There's a good chance that you recently filled up your car at a Sonol station. Sonol Ltd. is wholly-owned by Granite Hacharmel Investments, in which Ampal has a 26 per cent stake.

If you took a vacation close to home, you might have gone to the Moriah Eilat Resort Hotel, or the Moriah Dead Sea Plaza Hotel. Your family from abroad might have parked themselves in the Moriah Jerusalem, or in the Plaza in Tel Aviv, which is now the Moriah Plaza. Ampal-Israel, which itself is wholly owned by the Ampal holding company registered in the U.S., owns a controlling 52.49 per cent of Moriah Hotels Limited.

In fact, even if you were in Eilat and stayed elsewhere than the Moriah Eilat, you probably visited the underwater observatory there. If you did, you should compare notes with your U.S. cousins who might have visited the Coral World underwater observatory in the Virgin Islands or the Bahamas (unless you're fortunate enough to have been to them yourself). They are all at least half-owned by Ampal and its subsidiaries.

If you don't get to the Caribbean, you can at least stash your loot at an island tax haven in the area. Bank Hapoalim has a subsidiary called Bank Hapoalim (Cayman) Ltd., that should suit you fine. Ampal owns 49 per cent of it.

So you see that Ampal gets around. But the chances are that you remember Ampal, if not too clearly, for its role in the Levinson scandal of a few years back. If the details have become hazy in your memory, it's because there have



been so many scandals since then. It's also because the whole affair was immensely complicated, involving international wheeling and dealing on an amazing scale — and also because the whole story never came out.

Don't make the effort to dredge your data banks. It's a very fair bet that that story will never be fully uncovered. Some of the files have been officially closed — the U.S. Securities and Exchange Commission (SEC) investigation into suspected manipulation of Ampal shares by Levinson and others came up with nothing on the company itself and pronounced it clean. Others require so much work that no one is ever likely to have the time and means to get to the end of them.

The class action by Ampal minority shareholders against the firm's management reached the predictable conclusion of an out-of-court settlement. Ampal admitted nothing but agreed to pay up to \$1.4 million and justified this on the grounds that it was saving time and

money on possibly endless litigation. This is undeniable; even if the company ultimately emerged victorious against its claimants, it would certainly have a hefty hole in its pocket at the end of the process. If it had lost it would have an even bigger one. That's one main reason why people bring class actions in the first place.

Then there was the story of the asset transfers. In its filing with the SEC for 1986 (form 10K), Ampal had the following to say: "Based upon allegations that assets had been transferred to Ampal at less than fair value from Hapoalim, an investigation was conducted by Hapoalim which advised Ampal that its investigation had not revealed any evidence which indicated improper conduct by either Hapoalim or Ampal." So far, so good, huh? But...

"Hapoalim submitted the results of its investigation to the Bank of Israel...representatives of Hapoalim and the Bank of Israel met to discuss the subject of transfer of assets by Hapoalim to Ampal. A committee



Clockwise from upper left: The Moriah Jerusalem, a Sonol attendant and the underwater observatory in Eilat.

(Opp) consisting of persons agreed to by Hapoalim and the Bank of Israel gathered information on the subject. The committee's findings were submitted to the Bank of Israel and further decisions are being held."

In three words — buried in committee. Don't hold your breath waiting for the outcome, because this is a thriller that long since went flat. Even a later twist in the Ampal saga, when an investor group headed by David Sofer, the Jerusalem-based speculator and erstwhile whiz-kid, tried to buy control of Ampal and sank \$8 m. in its shares, has been overshadowed in terms of dramatic interest. Sofer is wanted by the SEC for a multi-million dollar insider trading scam with a former Israeli and senior Merrill Lynch official, Nahum Vaksvitch. Nobody's seen him for months.

For all these reasons, it is reasonable to accept the assessment of Ampal's new President and Chief Executive Officer Michael Arnon that the company's problems — perhaps ghosts would be more appropriate — have been laid to rest. Arnon himself took over a year ago, after his predecessor, Ephraim Reiner, was forced out of office by the Bejski commission report, so he merely inherited the problems. He has been lucky, though, in that the purely business factors that affected Ampal's profits reached their worst point just before he arrived. He has

also brought better luck to his new charge.

Since his arrival, things have been steadily picking up, which he correctly attributes to macro-economic factors, although it seems fair to say that his personal contribution has been to calm and then reorganize the company, after the tempestuous period it went through.

Net profits, which after all represent the acid test of any corporation's activities, however many scandals it gets caught up in, peaked in 1983 at \$17m. The following year they were down almost 50 per cent to \$9m. and in 1985 they bottomed at \$6m. — of which 10 per cent came from a tax-loss carry forward. In 1986 there was a recovery to \$6.4m., even after Ampal made provisions for the settlement of the class action, and in the first half of this year net profit reached \$2.85m. While this was 11.5 per cent up on the first half of 1986, it was rather less than had been achieved in the second half of last year.

One factor that held down earnings growth in the second quarter of 1987, according to the company, was its decision to retire early bonds issued at 14 per cent per annum interest rates — although this will result in lower costs in the coming years.

The growth of the Moriah chain features prominently in Ampal's figures, with revenues from this item having doubled between 1984 and 1986. Hotel operations contributed about 30 per cent of gross profits last year — and these only grew by 10 per cent overall, from \$10.4m. to \$11.5m.

On the other hand, the fall in interest rates brought a narrowing of profits on the company's main item of both income and expense, namely interest received and paid.

More generally, the slump in profit in 1984/85 stemmed from the economic crisis in Israel that reached its peak then, and clobbered corporate profits. Ampal's investments were obviously not immune from this process, but in particular, the massacre in the high technology sector of the economy made itself felt in numerous outlets that Ampal had holdings in (usually in tandem with another Hapoalim subsidiary, Hapoalim Investment Corp.).

The improved business climate of the last year or two, and the reductions in corporate taxation, inevitably began to feed through into improved profits for Ampal from mid-1986.

Furthermore, Ampal's two weaknesses, outlined earlier, impaired its functioning in 1984/85 (to put it mildly), and prevented it from raising funds in its usual manner, by selling debenture series to U.S. institutional and individual investors.

Ampal therefore seems to have seen its worm turn. Instead of everything going wrong for it, the last year or so has seen most things going in the right direction. It may make fewer headlines, but the line at the bottom that matters most should be the main beneficiary of the current trends.

Baron of barter will trade anything

By TED GOLDMAN
NEW YORK. — Moreton Binn bills himself as the "Baron of Barter" and in pursuit of that title has traded everything from "Kryptonite" rocks to television air time and the Eiffel Tower restaurant.

Other companies may see only horrendous marketing gaffes or divine strokes of bad luck when their inventories begin to bulge with unsold products. Morty Binn sees business.

Each year, Atwood Richards, Binn's New York bartering firm, trades thousands of items that companies either don't want to sell or don't know how to. He trades them for a vast array of goods or services he has acquired through other barter deals.

Items are displayed in the Atwood office in large glass cases — many of them marketing flops that companies are happy to trade away — and are in storage rooms filled with tennis rackets, shoes, shorts and whisky bottles.

"What happens to the chocolate Easter egg bunny after Easter?" Binn asks. "What happened to big calculators when they invented the small ones?"

Barter mostly occurs in the international trading arena, where countries with non-convertible or near worthless currency pay for their goods by trading them for something else. But the process is rarely tit-for-tat, economists say, and by hiding the price of the transaction, often lets unfair pricing seep into the deal.

Last year, for example, Caterpillar's barter unit traded its earth-moving equipment to Venezuela, which in turn traded iron ore to Romania. Romania then sent a load of men's suits to Britain for cash which was passed on to Caterpillar.

PepsiCo, in a much simpler barter, has since 1972 traded its soft drink concentrate for the right to market the Soviet Union's Stolichnaya vodka in the U.S.

Barter has also been ritualized in the U.S. through small barter clubs that form part of the underground, untaxed economy. Members trade each others' services. For example, a dentist might cap the tooth of an electrician in exchange for a new wiring job.

Atwood Richards, which says its \$500 million worth of trade every year makes it the largest U.S. barter company, specializes in large, commercial barter deals of at least \$1 m. each. It shares the field with just a handful of other, privately held commercial barter firms who operate in what is often seen as a shadowy industry on which the U.S. government keeps little financial data and whose corporate clients shun publicity.

Commercial barter companies

function not as brokers but instead act as principals, taking possession and responsibility for the goods they agree to trade. In exchange the company offers trade credits that clients can store and draw on whenever they want.

"We bank inventory in services and products that clients can later use," Binn, 51, says.

As its cluttered Park Avenue office, where bartered boxes of Japanese photocopyers are stacked next to a bartered grandfather clock and a bartered parrot greets visitors in the lobby, Atwood Richards and its 58 staffers deal with roughly 100 of the nation's largest corporations.

The company makes its money on the difference in the value of what it agrees to trade and the value of the trade credits it gives in return. Much of what is traded, like television air time or underutilized production time at a factory, is intangible.

"We'll trade mopeds, for example, for insurance and advertising slots on TV," Binn says.

But there are other, visible items displayed in large glass cases — many of them marketing flops that companies are happy to trade away — and storage rooms filled with tennis rackets, shoes, shirts and whisky bottles that are all products from earlier trades.

"J.C. Penney took a big position in telescopes for Halley's comet. But the comet was a dud," says Binn, pointing to a display case containing the sample of leftover telescopes he traded for the giant retailer.

But some things, Binn concedes, simply cannot be traded.

"Kryptonite" rocks, Superman's only threat, were a big mistake. "We got killed trying to get rid of those. You can't buy faddy things," he says.

Although most of the company's business is done domestically, its foreign escapades often take some bizarre twists.

Last year it traded tires from Goodyear for towels from Zimbabwe. Goodyear, which doesn't need towels, traded them to Atwood Richards in exchange for trade credits. Atwood Richards, in turn, traded the towels to a hotel chain in exchange for the future use of its rooms, food and beverage services. Goodyear later used its trade credits to get free hotel rooms worth the value of its tires.

Binn, a navy dresser who sports monogrammed shirts, silk handkerchiefs and half-rimmed glasses, joined the 29-year old firm in 1974 when it was publicly held. He took it private that same year.

His most famous trade was for the restaurant on the Eiffel Tower, which French authorities ordered to be removed after the monument began to sag. He traded it for West German and South American steel, construction equipment and safety nets to catch falling debris.

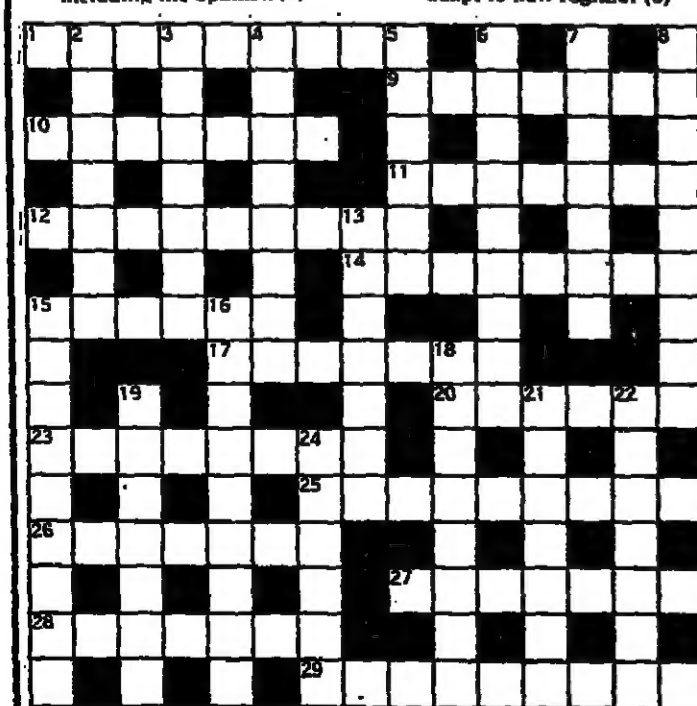
After dismantling the restaurant into 11,000 pieces, Binn shipped it to the U.S., where, true to form, it was traded to a restaurateur in New Orleans for scaffolding, safety netting, and reinforcing steel.

(Reuter)



CROSSWORD

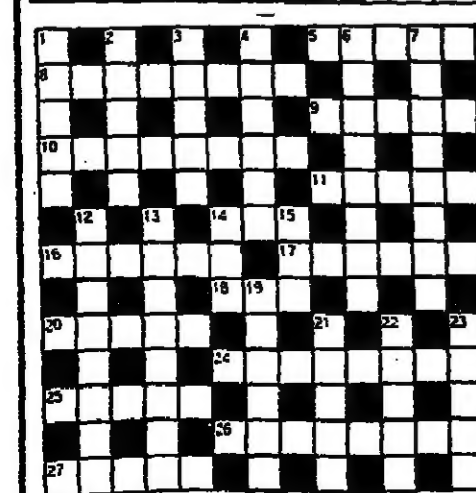
- ACROSS**
- Slip by government calculator (5-4)
 - Charge the chap given time (7)
 - Minute causes of ill-feeling (7)
 - Handy missile? (7)
 - Sad boy fagged? (4,5)
 - Join in league on free date arranged (8)
 - One's standing in golf (6)
 - Supplements needed for a theologian to finish article (7)
 - Pass time, the French returning, splitting peas (6)
 - A case for holding bottles of wine, one sort of wine including the Spanish (8)
 - As of equal value to silver American vegetable (9)
 - Covers up wrong answer quietly inside (7)
 - Witnesses at the games (7)
 - Water Board expert on top (7)
 - Remedied with fresh handages on? (9)
- DOWN**
- Tract of grassland left uncultivated (7)
 - Urged along to fashionable type of American cinema (5-2)
 - Put at ease now that someone else has taken over (8)
 - Frenchman who couldn't adapt to new regime? (6)
 - Mostly at home with the officer (2,7)
 - Towed home (7)
 - Respect for the Queen in the Ministry (9)
 - Property that produces results (7)
 - Request to smile, while being shot (5,6)
 - Is able to include a river boat (9)
 - Is able to discourage holding the bottle (8)
 - Bankers' bloomers (7)
 - Made an assortment on Sunday of wreaths (7)
 - Sink a coal-carrying vessel (7)
 - Oriental flower festival (6)



QUICK SOLUTION

ACROSS: 1 Braking, 5 Point, 8 Surge, 9 Overawe, 11 Nonplus, 11 Arena, 12 Sheikh, 14 Verify, 17 Casual, 19 Inflate, 22 Lockjaw, 23 Trite, 24 Ready, 25 Gallery. DOWN: 1 Basin, 2 Arrange, 3 Ideal, 4 Grouse, 5 Prepare, 6 Irate, 7 Therapy, 12 Squallor, 13 Killjoy, 15 Imagine, 16 Bigwig, 18 Uncle, 20 Fatal, 21 Eucalypt.

QUICK CROSSWORD



- ACROSS**
- Television
 - More pictorial
 - Happen
 - Delphinium
 - Waterway
 - Writing fluid
 - Wriggle
 - Swallow up
 - Snoop
 - Gusty
 - Burn slowly
 - Short
 - Query
 - Cut
- DOWN**
- Magic formula
 - Apologetic
 - 3-Tic
 - Spangle
 - Barter
 - Praiseworthy
 - Rodent
 - Renelovence
 - Demon
 - Opener
 - Unconfirmed report
 - Search
 - Improvise (2,3)
 - Faddist

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CURRENCY MARKETS

Dollar set to consolidate at current levels

The volatile movements of the currency markets last week proved to be nothing more than a tempest in the teapot, as the dollar finished Friday only marginally weaker against most currencies. Central bank intervention on Friday helped stabilize the U.S. currency but did little to induce a change of direction.

The markets have been concerned about the large U.S. trade deficit of \$15.71 billion, ever since the figure was released August 14. The bearish sentiment was compounded by a gloomy forecast from Salomon Brothers economist Henry Kaufman.

Concern over events in the Gulf no longer offers the dollar much support, and official statements about the currency did little to change its downward trend. Comments by Federal Reserve Board Governor Robert Heller indicated that the dollar exchange rate is not the only mechanism for narrowing the U.S. trade gap.

The poor U.S. trade picture was underscored by news of West Germany's trade surplus, which rose to 9.9 billion Deutschmarks in July from 8.3b. marks the previous month.

The dollar is likely to consolidate

at current levels as the technical picture shows that it is oversold. With Congress reconvening and a meeting of the Organization of Petroleum Exporting Countries scheduled for next month, followed by parleys of the European Community ministers and the International Monetary Fund, a huge squaring of positions before the U.S. Labour Day holiday, September 7, is a possibility.

Central bank intervention may also help stabilize exchange rates at current levels.

The column appears courtesy of Boaz Barak Advisory Service.

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